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AGRARIANISM AND INDUSTRIALISM

By E. Stuart Kirby

Any discussion of the economic development of Eastern Asia is unrealistic if it does not put the agrarian aspect in the foreground. The term "development" is often used with nothing but industrialisation in mind. An enthusiastic desire for industrialisation, often to a degree quite beyond the bounds of practicability, is an important psychological element in the leading political movements of the day. But in reality the bases of Asian life—economic, social and even cultural—are still overwhelmingly agrarian and rural.

To calculate progress solely in terms of industries is certainly to put the cart before the horse. The agrarian problem is actually more pressing and more dangerous—socially, economically, politically, and even culturally—than the urban or industrial problem. The food supply position is so bad that the whole of Asia is constantly in danger of relapsing from the present state of chronic undernourishment into absolute famine. All the disharmonies, injustices, inefficiencies and stresses are more acute in the countryside generally than in the towns. And the rural situation is deteriorating visibly in most countries, while urban conditions remain relatively stable or sometimes improve; even in such conditions as those of China over the period of war, inflation and civil war, real wages in the towns actually rose between 1937 and '47.

One of the points in which the outside world is beginning to proclaim itself disappointed in the Chinese Communists, is that it had been anticipated that their movement would put first things first; that it would establish the elements of order and decency in the Chinese countryside, and proceed from this essential basis to a logical programme of industrial progress. Instead, after their southward move, the Communists called a wide halt to their agrarian reforms and diverted all efforts and priorities to the industrial sectors. It is disquieting to find that this appears not to be from tactical necessity, but out of principle. Other disquieting developments have been the signs that their urban policy stresses control as much as stimulation, that they make economic considera-

tions subordinate to political requirements, and encourage the cruder forms of belief in industrialisation (viz. that it cures all social ills, and that it can be quickly and painlessly achieved). However, Communism is after all based on the proletarian class: where such a class is insufficiently developed, it will just have to be created!

In this series of articles (*Far Eastern Economic Review*, August 4th onwards) the problem of Asian development has largely been considered from the point of view of investment in general, and foreign investment in particular. The agrarian point of view, which is distinctly an internal point of view, must also be taken into account. In this aspect, much depends on the conception of industrialisation which prevails. The main variations are as follows:

(a) The present tendency is predominantly to emphasise heavy industries. This is unrealistic and misleading, especially when coupled with the belief that the agrarian state is unworthy of an independent nation and that the lack of big factories is the sign of a "colonial or semi-colonial status." This conception (or semi-conception?) is never defined, and appears often to be a mere term of abuse. The only possible shortcut to heavy industrialisation is a correspondingly heavy foreign investment; otherwise, there must be an enormous and prolonged effort of sacrifice and discipline. Communist principle rejects foreign investment; and nationalist sentiment tends to do the same, or to impose conditions which make it practically impossible. Yet neither party does anything to prepare public morale for the long course of regimentation and abstinence which represents the only other way of attaining this object.

(b) A less extreme view advocates the stimulation of a more varied and widespread industrial structure, as a means to a more balanced economy. This view also characteristically puts the industrial side first; agrarian reform and rural progress are envisaged as secondary, and as effects of industrial advance.

(c) Pursuing this classification further, it is useful to distinguish as a third school of thought that which attaches equal importance or immediacy to both agricultural and industrial development, and seeks an integrated de-

velopment in both fields together. This attitude is theoretically important at present, but politically and socially it seems to represent only a minority opinion.

(d) Finally there is room for the view that all this preoccupation with industrialisation is erroneous or unnecessary, and that the agrarian side should be placed first. This might be argued on grounds of expediency (that the agrarian situation is more immediately dangerous than the industrial one), or of principle (that the agrarian population has first claim from the point of view of social justice), or perhaps of practice (that sound industrial establishment is not possible without first raising the general level of the agrarian majority); but in fact this view is rarely advanced.

This is a rather theoretical division of possible schools of thought; in real life a combination of the various proposals may be possible, one may be appropriate to one place and one to another, or different procedures may be appropriate at different time-stages. In this article it is desired, in the first place, to stress the fact that in Asia present circumstances conspire to draw attention to the first two of these schools of thought. Political parties, native capitalists, and foreign capitalists all tend to contemplate courses (a) and (b) above, in that order of preference. Neither the political current nor the instincts of capital tend to place the agrarian sector to the fore; both are conscious of the latter's needs, but—whether logically or out of wishful thinking—postulate that the agrarian aspect will solve itself in and through a solution on the industrial plane.

The main point is that these policies which envisage exclusively urban industrialisation would, in Far Eastern conditions, raise values and demand primarily in the existing centres. The increased demand would be largely for urban consumption goods, for which demand is elastic; while demand for food and home agricultural produce, which is inelastic, would be very little stimulated. The optimists of this Industrialisation School are relying on a conception rather like the "Multiplier" which plays an important part in the Keynesian analysis: viz. that an injection of purchasing power into the economy at one point raises wages at that point, but the effect is passed on

as these are spent, the new recipients in turn spending their receipts, and so on until economic activity is cumulatively stimulated all over the community. This may work smoothly and rapidly in advanced and diversified economies; but it is slowed down, distorted, or even halted under the conditions of "backward" countries, where transport, marketing, credit or payment facilities are restricted or even non-existent. The latter is generally the case in the East, and the resultant pattern is familiar. Half a dozen big towns live in a different world from the countryside; they progress and grow richer; the benefits go mainly to the wealthy classes, the great majority of whom congregate in the towns, whereas only a small proportion of the poor population is found in the towns. The increased wealth circulates mainly in and around the upper income group; some of it passes to the surrounding area (in China, for example, prices of farm produce in the vicinity of the cities are four or five times those in the "interior"); and all conditions deteriorate as one moves outwards from the zones of modern transport and modern commercial organisation).

This is only one illustration of how the type of economic analysis developed in advanced Western countries is mistakenly applied to the circumstances of the undeveloped East, where the preconditions for its working do not in fact exist. The Keynesian approach has just been cited in illustration: another example may be taken from it. Its best-known aspect is its explanation of economic disequilibria in terms of the relations between savings and investment. In the proper sense of these terms, neither the one nor the other occurs on any great scale in the East, as compared with their tremendous volume and universal influence in the West. In the East there is little steady saving out of regular income, there is much hoarding, an exaggeratedly speculative atmosphere, and comparatively few openings for true investment; the main sources of saving are windfall gains and crude hoarding, and their main outlet further speculation. Though its underlying principles may be universal, the form of modern economic analysis relates to the complex and highly integrated Western system, and assumes preconditions which are taken for granted in the latter, but hardly exist in the East. The problems of the rickshaw, its puller and its rider are not the same as those of the aeroplane, its crew and its passengers.

Both of these technical levels co-exist in the East, but the lower technical level is obviously more typical, and the body of theory evolved for the higher technical complex is in large part elaborately irrelevant. This is not to say that the East should abandon the economic theory derived from the West. The elementary principles and logical laws are obviously basic everywhere: the first textbook lessons on the advantages of division of labour, the laws of supply and demand, etc., are for instance evidently applicable under

all conditions. When we come to the more advanced plane of analysis, however, or to the more intricate questions of Applied Economics, the qualitative difference becomes clear. On this plane, our advanced economics was built up in the West in explanation of the cyclical fluctuations (Trade Cycle) and other difficulties of an integrated, advanced and complicated economic system. Even where that theory discusses development, it similarly deals with the higher plane of social and economic evolution. Some work on the theory of Basic Development has been done, but for Asia particularly this is rather a neglected field.

It is perhaps not too sweeping to say that at the present time psychology, politics and technology all conspire together to obscure this fact. In the East, the mind of the people, the proposals of the politicians, the eagerness of the technicians, all seize upon the visions of industrialisation and urbanisation. Big plants and advanced industries are considered to be the outward and visible signs of progress in general and of national greatness in particular. On the plane of economic theory as on that of engineering, it is desired to go in one bound to the adoption of the latest and highest techniques. Any proposals which fall short of that are deemed reactionary and oppressive.

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The realities of the agrarian situation should give pause to all these tendencies. Agriculture does not now contribute anything like its proper proportion to national incomes (or, for that matter, to world income). And its contribution is diminishing, both relatively and absolutely; oriental agriculture is chronically—and, on the present basis, permanently—in the grip of a trend of diminishing returns, operating on a scale never before seen in history. Elementary economics shows that this can only be broken by technical (and social) changes involving the complete re-equipment of agriculture in particular, and the rural communities in general, on a new technical level. The material requirements for this are the provision of the appropriate sorts of agricultural equipment, and the provision of secondary industries and supplementary occupations in the countryside. These can only be supplied by the growth of light industries and the development of transport and local markets. A policy concentrating on heavy industries and the urban centralisation of finishing processes is generally uneconomic from the investment point of view; in these fields, the advantages of international division of labour are overwhelming, and it is doubtful whether local structures on this basis can compete against the old-established centres; while these policies do practically nothing directly and immediately to solve the rural problem, and it is doubtful whether they will do much even indirectly or ultimately.

There is much to be said for taking the industries to the workers, instead of planning to uproot the labour from its rural sources and induce or force it into newly created centres. Much of the desire for industrialisation is inspired by the Russian example. The conditions in Russia were obviously different; the area is huge and underpopulated, and its industrialisation could be accompanied by an extensive (as distinct from an intensive) development of agriculture. Japan shows the real example in this respect, in Asia; the cottage industry system, the complete and integrated development of transport, exchange and distribution facilities, a proper conception of foreign trade and investment, a rational attitude towards foreign tuition—all these have raised Japanese standard enormously, in the last few generations. So long as Japan's policy was based on the predominance of light industries, and in so far as an active and free world trade was open to her, progress in that country was real and benefited all sections of the community. In the measure that political forces increasingly switched Japan's resources to heavy industry, and that the same forces (and the circumstances of the World Depression) also diverted Japanese policy from free trade to autarchic imperialism, the progress was checked and the benefits increasingly monopolised, while the rural classes and the small enterprises relapsed into increasing poverty and stagnation. That poverty and stagnation were, even then, relative: conditions were better than elsewhere in Asia, being mitigated by the superior organisation (both governmental and non-official), but also—it is here desired to emphasise—by the wide availability of light industry and its products.

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In general terms, the desiderata of industrial development, from the point of view of the large and growing rural population in Asia—which is to say perhaps three quarters of the whole—are roughly such as the following:

(i) Priority for investment in transport, which alone can widen markets and permit proper specialisation in the field of agriculture.

(ii) Electric power development, which increases all amenities and permits the decentralisation of alternative employment openings.

(iii) Promotion of secondary and subsidiary industries, which are flexible in the matter of labour requirements. (The greater part of the potential labour supply is unwilling to migrate or otherwise to separate itself irrevocably from the rural setting. It rejects prolonged apprenticeship or narrowly specialised training. The most beneficial is the type of work which develops general all-round "workshop handiness" in the individual, for this opens to him the widest range of subsequent employment. Most of the prospective workers will wish to return to the fields during the busy seasons, but to come back at other times, and indeed to bring friends and relations with them; for the absurdity

Devaluation of Sterling

The British Government announced, on September 18, the devaluation of sterling from the former rate on New York of US\$4.03 to the new rate of US\$2.80. The depreciation of sterling amounts to 30.52% (the appreciation of US\$ amounts to 43.93%). At the same time official gold prices in the sterling area have been raised by the same percentage (43.93). Following the United Kingdom and the British Commonwealth governments—with the exception of Canada where a 10% devaluation against the US\$ is pro-

posed—a number of Western European governments have also taken the same step or are about to devalue their respective currencies vis-a-vis the US\$.

Devaluation has been finally decided upon by the British and Commonwealth governments in the full knowledge of its momentous consequences. The world public has been repeatedly deceived about the official intention to devalue sterling and categorical denials by responsible members of the British Government were made until only a few days before September 18. Such procedure is morally indefensible. Further decline of public confidence, the world over, in official statements is to be expected.

The devaluation of sterling must have a demoralising effect on the middle classes as it tends to elevate cost of living and thus destroys part of the public's savings. However, official statements always emphasise the needs of trade, of increasing exports and curtailing imports, neglecting other economic considerations. The arguments, pro and contra devaluation of currencies vis-a-vis the US\$, have been given widest publicity in the recent past and one was eventually led to believe, fortified by unambiguous British official statements, that devaluation, while a probability within another year or two, was unnecessary at the present time. American pressure has however become very strong in the recent past with the Washington Administration no longer making any secret about their insistence, for reasons of trade promotion or other more ulterior motives, to see sterling and most other European exchange rates drastically lowered in terms of US\$. *Fiat voluntas tua, America.*

The near future will show the benefits or otherwise of the sterling devaluation. That there are many apprehensions particularly about higher cost of living in countries where exchange rates have been lowered is obvious. The official optimism, emanating from the British Treasury, about a larger volume of trade, higher dollar earnings and record high employment is encouraging but the public is too deeply shocked at present to feel entertained by the rosy pictures which might eventually only be hung up in more "castles in the air" of which official architecture has produced all too many in the past.

The effect on Hongkong—where the unpalatable news was received stolidly but with great displeasure—will for the time being not be noticeable as the community has been enjoying the benefits of an open legal exchange market ever since the end of world war II. The official appreciation of US\$ actually brings into line the official and the open market rate. The prestige of sterling has however been hurt, particularly by the extent of the devaluation, and—even if one remains optimistic—a long time will have to

pass before the damage can be expected to be repaired. The repercussions of the devaluation will be felt for years. It will prove difficult to regain the financial trust and confidence of the non-British peoples in the Far East. One must however retain some faith in the statesmanship of the persons at the helm of government in the U.S. and in the British Commonwealth and try to dispel the clouds of pessimism and anxiety which have descended since the beginning of this week. It is probably the best course to refrain from comment—which if sincere can only be unfavourable—until the shape of economic things to come appears more clearly.

The new official exchange rates are as follows (old rates in brackets):—

£1=US\$2.80 (4.03) or US\$1=£0.3571428 (0.24813).

Hongkong dollar 1=US\$0.175 (0.251875) at the parity of 1/3d., but only US\$0.17289 at the official banks' selling rate for TT London. US\$1=Hongkong dollar 5.7142 (3.97022) at the parity but at the official TT London selling rate HK\$5.78571.

The US\$ has thus, exactly like with other currencies of the sterling area, been officially appreciated by 43.93%, the HK\$ has been officially depreciated by 30.52%.

On the open market here US\$ rates were quoted at the beginning of the week about 5% in excess of the new official rate.

During the last forty years the highest and lowest official London/New York rates were US\$4.97 (in 1938) and US\$3.20 (in 1920). The abolished rate of 4.03 was established in 1939. Free exchange markets quoted area account sterling at US\$3.50 highest in 1945, and US\$2 lowest in 1940. In recent months New York's free market sold sterling between US\$2.70 to 3 and crossrates in European free markets were about the same although for short periods rates below 2.70 were established.

Fine gold prices have been officially increased from 172/3d. to 248/-, which is in line with the US\$ appreciation. The US Treasury price of US\$35 remains in force but gold prices in the sterling area and in those countries which have followed the example of Britain were advanced by 43.93%. The official Hongkong gold price, per fine oz, in now HK\$200. On the open market, which is dealing in commercial or industrial gold of a prescribed fineness of 94½%, the equivalent price for one oz. of fine gold was at the beginning of the current week about HK\$280, i.e. 40% higher than the official gold value. This high premium is explained by the fact that free gold markets trade in bullion at a premium over the US Treasury price of US\$35, this premium moving between 25 to 40% (according to the supply-demand position).

of the present agricultural situation is that despite all that may be said about overpopulation, at busy times there is even a shortage of hands, while during the long slack seasons there is work for only a few.)

(iv) The provision of agricultural implements and ancillary equipment of all kinds.

This points in the direction of the domestic industry system and the pre-dominance of light industries generally; on this issue agrarian interests clash widely with urban ideologies and inclinations. But rural needs are humanly — if not politically — more urgent than urban ones, and attention must be paid to them before the present crisis can be solved. This is strictly an internal sphere of action of each country; but the "goodwill" of any government abroad, with potential investors, customers or people in general, depends very much on the sincerity, competence and realism which it displays in handling its own problems. Some political tendencies are impairing confidence, as well as stability by threatening excessive emphasis on "heavy" or "advanced" industrialisation, to the neglect of simpler and more essential needs, notably those of agriculture. Any over-elaborate theoretical prescription is inappropriate, when the pre-conditions for its operation are lacking. The end may be thought to justify the means—but it cannot create them. The setting of rural overpopulation also gives warning of the fact that the Eastern problem is fundamentally different from the Western one. The accumulation of crude labour power, far beyond the means of applying it productively, is the only sense in which (figuratively speaking) "saving" has, in Asia, outrun "investment." Inappropriate to this situation are policies of selective investment and preference for capital-intensive undertakings; obviously appropriate are those which spread the investment as widely as possible and are labour-intensive. The wealth must circulate, not only more rapidly, but much more widely, before there can be any great accumulation of capital.

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CURRENT ECONOMIC POSITION OF BRITAIN

ECONOMIC ACTIVITY IN BRITAIN

In the first half of 1949 employment, production, productivity, exports and capital investment were all running at high levels.

Employment—125,000 more were in civil jobs at the end of May than when the year started.

Unemployment—From an already low level at the end of 1948 unemployment fell month by month to reach a record low point of 264,000 or 1.3 per cent of all insured workers.

Industrial Disputes—The total number of days lost through industrial disputes between January and June 1949 was 923,000. The comparable figure for 1948 was 1,586,000, for 1947 1,138,000, and for 1946 1,166,000.

Production—The May index figure of 133 (1946 average=100) was the highest in history and the quarterly averages this year have been consistently 6 per cent higher than a year earlier.

Productivity—There has been a steady increase over the last 12 months of approximately 4½ per cent per annum. Coal—Deepmined coal output to the end of July 1948—an increase of 3 per cent. Output per manshift at the face has been running just above 3 tons and is the highest since the war. United Kingdom miners are the first in Europe to have returned to their prewar output per manshift. Steel—Ingot production in the first 7 months was 5 per cent higher than a year earlier and the highest in the history of the industry. Textiles—Output of cotton yarn, rayon and worsted yarn have all been running higher than the same time last year, cotton in the first 28 weeks being 4 per cent higher, rayon in the first 26 weeks being 16 per cent higher and worsted yarn in the first 26 weeks being 6 per cent higher. Vehicles—Output of passenger cars reached a new high level in the first six months at a weekly average of 7,500 compared with 6,500 a year earlier. Commercial motor vehicles were also at the record level of 4,000 compared with 3,150 a year earlier. Shipbuilding—At mid-year 46 per cent of merchant ships (including tankers) under construction in all parts of the world was in British yards.

Exports—In every month of the half-year the value of exports (on a standard month basis) was above the average for the last 3 months of 1948—which was itself a record. The June figure was the highest since January. Machinery exports beat their end year target in the first quarter and vehicle exports in both quarters.

Capital Investment—Capital investment in 1949 is running at a rate that represents more than 20 per cent of the national income, compared with 16 per cent in 1946 and prewar. Building—Total value of building and civil engineering work licensed in the first five months was nearly 8 per cent higher than the previous 5 months and 33 per cent higher than a year earlier. The May figure was substantially higher

than any previous figure. The value of factory building licensed in the first five months was 35 per cent higher than in the previous five months and over twice as much as in the same five months a year earlier. By the end of June the number of new permanent houses had passed the half million mark by 27,000 and the total of new accommodation of all kinds was just under 1 million.

RECOVERY IN BRITAIN AND EUROPE

Comparisons between rates of recovery in different nations are difficult to make. The reconversion of United Kingdom industry to peace-time purposes was swift. A rapid expansion in industrial output therefore started soon after the war and, apart from the disturbances of the fuel crisis, has continued. Recent advances may thus seem less impressive than those of other nations, e.g., France, which were late-starters, but where there has been a sudden upswing of activity during the past year.

Over the whole economic field the United Kingdom compares favourably with all other European industrial countries. Production is a third above prewar (although this increase has not been evenly spread, and certain industries, such as coal are out of step) and the trend is still upwards. Employment is at a remarkably high level. Industrial productivity has risen more than in most other European nations, and continues to rise at about 4½ per cent per year.

This increase in output enabled the United Kingdom to achieve an overall balance in overseas payments at the end of 1948 and, coupled with severe import restrictions, markedly to increase the share of dollar imports paid for with direct exports.

Present dollar problems cannot be traced to a failure of the U.K. economy. They have their roots in the deepseated unbalance between dollar and non-dollar worlds, which was apparent before the war and which was worsened by it. The present decline in business activity in the United States has led to a fall in the dollar-earning exports of the majority of European countries, and has worsened their dollar shortages accordingly. The problem was intensified for the United Kingdom and the Sterling Area as a whole by the fact that they are by far the largest exporter to the dollar area and by the decline in dollar earnings on raw materials.

Facts about the increase in production are as follows:—

(a) Production Indices: Industrial production (excluding building) in the United Kingdom in the first quarter of 1949 was a third above 1938 and 21 per cent greater than the 1947 average. These figures compare favourably with those for other European nations:—

	(Per cent)	Increase 1st Qtr. 1949 over 1947 average
Above pre-war (1938)		
1. Sweden	46	6
2. Denmark	34	16
3. United Kingdom	31	21
4. Norway	30	20
5. France	24	31
6. Belgium	22	15
7. Netherlands	22	28
8. Italy	10 below	3

The level of production for Europe as a whole (excluding the U.S.S.R.) was 3 per cent greater in the first quarter of 1949 than in the last quarter of 1948. U.K. production (which represents nearly half the total value of Western European production) increased by 3½ per cent in the same period.

(b) Coal: The rate of coal output in the United Kingdom in the first quarter of 1949 was 8 per cent higher than in the first quarter of 1948. French coal output was 3 per cent greater, and Belgian 17 per cent greater. Coal output in both the United Kingdom and Belgium is still below prewar. In France it is above. Output per manshift in the United Kingdom regained its prewar level at the end of 1948: United Kingdom miners are the first in Europe to have achieved their prewar rate of individual output.

(c) Steel: 6 per cent more steel was produced in the United Kingdom in the first quarter of 1949 (when output equalled the combined production of France, Belgium and Luxembourg) than in the comparable period of 1948. For Belgium the percentage increase was 23, for Luxembourg 33, and for France 31. Steel production in the U.K. in May was running at an annual rate of 16.4 million tons and output during 1949 should be at least 15½ million tons—2½ million tons above the prewar (1947) peak. This increase is about equivalent to the total output of the Luxemburg steel industry in 1948.

(d) Vehicles: In the first quarter of 1949 United Kingdom production of passenger and commercial vehicles was nearly a third above prewar. French production was a tenth above and Italian about the same:—

	1st Qtr. 1949 as per cent of:—	
	1938 average	1st Qtr. 1948
United Kingdom	133	122
France	116	140
Italy	100	133

(e) Textiles: The output of the U.K. textile industries in the first quarter of 1949 was 8 per cent above the first quarter of 1948. Comparable figures for other European countries are:—

	Per cent change 1st Qtr. 1949 over 1st Qtr. 1948
Denmark	+ 15
Netherlands	+ 13
Italy	+ 10
Sweden	+ 4
France	+ 3
Belgium	— 2

(f) **Chemicals:** Production of chemicals in the U.K. in the first quarter of 1949 was 87 per cent above prewar. No other W. European can show a comparable expansion:—

(Per cent change 1st Qtr. 1949 over prewar)

United Kingdom	+ 87
Belgium	+ 56
Denmark	+ 33
France	+ 31
Netherlands	+ 13
Italy	— 18

HIGHER PRODUCTIVITY

Industrial production (excluding building) in the United Kingdom in the first quarter of 1949 was 31 per cent above 1938. Industrial employment is estimated to have risen to a level 14 per cent above prewar in the first quarter of 1949 in the corresponding industries. Belgian production was 24 per cent above prewar but employment was 17 per cent above. French production was a quarter above prewar, the level of employment was 11 per cent above. The following table compares the increase in industrial production which has taken place since 1938 with the increase in the level of employment in industry:—

(1938=100) 1st Qtr. 1949

Industrial Employment
Production in industry

Sweden	146	123
United Kingdom	131	114
Norway	130	142
France	124	111
Belgium	122	117
Netherlands	122	139

Material published in the Economic Survey for Europe for 1948 on output per man bears out these figures. Output per man in United Kingdom industry was 8 per cent above 1947 and was a similar amount above prewar. The United Kingdom and Sweden were the only European industrial countries in 1948 to achieve a level output per man above prewar:—

Per cent increase 1948
1948 over 1947 (1938=100)

Sweden	3	116
United Kingdom ..	8	108
France	10	99
Belgium	7	97
Denmark	6	98
Norway	1	86
Netherlands	8	84
Italy	10	76

The upward trend of production in the United Kingdom has continued in 1949. The level of output in the three months ending in April 1949 was 6 per cent higher than a year earlier. With an increase in employment of about 1½ per cent this represents an increase in productivity of about 4½ per cent. The index of production for May which reached the highest point yet recorded shows that the upward movement is continuing.

MORE EXPORTS

(a) **Export and Import Volume:** The volume of United Kingdom exports has risen steadily from 102 per cent of 1938 in the first quarter of 1947 to

Exchange & Financial Markets

CAUSES AND POSSIBLE SOLUTION OF THE STERLING AREA'S DOLLAR PROBLEM

The Sterling Area is faced with a serious dollar problem. It is only too easy, however, to see this problem in the wrong perspective, and inevitably, therefore, to draw the wrong conclusions. It is entirely incorrect, for example, in looking at Britain's large dollar deficit, to deduce from this that there must be some correspondingly large slowdown in her whole productive system. The fact is that the output of British industry and agriculture is from 20 to 30 per cent above the pre-war level. There is virtually no unemployment, and men in industry are working on the average more than 46 hours a week, exclusive of meals and rest periods. If one could somehow exclude the dollar factor, Britain's economy would now be in rough overall balance, for her total receipts from overseas are now balanced, in sterling terms, by what she sends overseas.

What then is the significance of the dollar deficit? Owing to the complete distortion of world trade patterns that the war brought in its train, the non-dollar world as a whole, including Britain, still needs to buy much more from the dollar countries than the dollar countries buy in return. The non-dollar world as a whole has therefore a persistent dollar deficit, and Britain suffers in this respect more than any other country because she is far and away the largest non-dollar trading country in the world.

Britain's dollar deficit is large, and will bring havoc unless it is mastered, not because Britain is the weakest link in the non-dollar world, but rather

because so much of world trade activity centres on Britain. The greatest significance of the dollar deficit is that, in throwing an intolerable strain on Britain's reserves, it prevents the Sterling Area as a whole from being linked in a single multilateral trade pattern with the Dollar Area.

Britain's current productive power, and her intense concentration on capital investment and re-equipment, is great enough to bring her to a solution of her economic problem within a few years, provided (a) that there is no interruption, through dollar shortages, in her all-out production and export drive, and (b) that the "deep-seated maladjustments between the Sterling and Dollar Areas" can be removed by concerted planning.

One illustration will show how fallacious it is to assume that Britain's large dollar deficit means that she depends on Marshall Aid more than other countries. The apparent "prosperity" found by tourists in some European countries is often used as evidence that "Britain has lost the power to recover" while "other countries have forged ahead." But here is a sobering fact taken from the latest report of the Marshall countries themselves: The net aid received by France under the Marshall Plan and the Intra-European Payments Plan in 1948-9 was equivalent in value to 48 per cent of her total imports. For Italy, net aid received was equal to 41 per cent of her total imports. For the Netherlands, the figure was 34 per cent. For Britain, net aid received was equal to only 12 per cent of the cost of her imports.

155 per cent in the first quarter of 1949. No other European country can show a comparable performance. Belgian exports in the first quarter of 1949 were 101 per cent of prewar, French 85 per cent, Swedish 61 per cent, and Swiss 112 per cent. The volume of exports of most of the European countries fell off markedly between the fourth quarter of 1948 and the first quarter of 1949. United Kingdom exports increased by 6 per cent in this period. There was a decline in the United Kingdom export volume in the second quarter of 1949, but exports were still at practically the same volume as in the fourth quarter of 1948. United Kingdom imports in the first quarter of 1949 were one-fifth below pre-war. Belgian imports were 2 per cent below, French 2 per cent above, Swedish 6 per cent above, Austrian and Danish imports were both about one-third below prewar.

(b) **Trade with United States:** United Kingdom exports to the United States in 1947 paid for 19 per cent of imports from that source; in 1948 the percentage was 44 per cent. Exports from the other West European countries paid for 12 per cent of their United States imports in 1947 and 19 per

cent in 1948. Few European countries have made greater progress than the United Kingdom in increasing the 'export-earned' share of their United States imports.

United States Imports of Certain Sterling Area Commodities: An important factor in the worsening of the sterling area's dollar position has been the fall in the earnings of Commonwealth products in the United States. Both quantities and prices have fallen. United States imports of certain principal types of wool, jute, rubber, tin and cocoa (which together represent about 60 per cent of the total exports of the sterling area, except the United Kingdom, to the United States of America) in the first quarter of 1949 were running at an annual rate of US\$598 million, compared with \$730 million in the comparable period of 1948. If the relation between first quarter and annual imports which obtained in 1947 and 1948 persists in 1949, imports of these commodities (excluding tin) will fall from \$534 million in the first quarter of 1949 to about \$400 million in the year 1949, compared with \$518 million in 1948 and \$546 million in 1947.

This is not to say that Britain's economy does not need great increases in output and productivity to make good in full her immense wartime losses. But to have come so far in these four difficult post-war years, burdened with war losses, indebtedness and heavy military expenditure, shows that Britain is nearer to recovery than one would guess from the dollar figures alone.

While Britain is doing, and will continue to do, everything within her own power to master this final and so far insuperable hurdle, there are many difficulties involved that can be solved only by cooperative action among all the other countries concerned.

It is well understood, for example, that if the non-dollar world is to be able to sell more, the dollar will have to buy more. Long-term remedies must be found that will permit the non-dollar world to count on selling commodities and services to the dollar world on a stable and expanding basis. This is not a problem for Britain alone. "Britain's" dollar deficit is really the deficit of the whole Sterling Area. Britain herself is making every effort to increase her own exports of manufactured goods to North America.

At the same time, the raw materials that the overseas sterling countries have traditionally sold on a large scale to North America are already available in ample quantities to help solve the dollar problem, provided there is a ready acceptance for them here. This was one of the problems that was examined during the discussions in September in Washington between the United States, Canadian and United Kingdom Treasury chiefs.

The extent to which Britain's dollar problem arises from wider causes than her own direct deficit with the Dollar Area can be seen from figures now available for the first half of 1949. In this period, Britain's direct deficit with the Dollar Area amounted to \$640 million. She received, however, \$664 million under E.R.P., and \$88 million from other special sources, a total of \$752 million, which by itself would have covered her deficit amply and prevented any drawing on her reserves.

During the same period, however, the rest of the Sterling Area had a deficit with the Dollar Area amounting to \$148 million, which had to be financed by the central reserves held by Britain. In addition, the Sterling Area as a whole had to make dollar payments to third countries (among them, Belgium and Switzerland) amounting to \$168 million. The central reserves held by Britain had therefore to be drawn on further to a total of \$316 million, which left the reserves drawn down by a net sum of \$204 million.

The use of these central Sterling Area reserves to finance trade over a very large part of the world is obviously vital to world trade expansion. Dollars paid out by Britain are all used to finance purchases in dollar countries. But all this throws an immense strain on Britain, greater than her own current trade activity would demand. Some of the strain in the disastrous second quarter of 1949 arose from

special causes that may not be repeated. Britain has taken steps, for example, to cut down her payments of dollars to Belgium and other "third" countries in the year ahead. The benefits to world trade that flow from the existence of a huge freely trading Sterling Area cannot be developed as long as the reserves used in daily business by this area have fallen so far below the minimum safety line.

The emergency 25 per cent cuts in dollar expenditure of the Sterling Area are necessary so that Britain can somehow get the central reserves back to a level where they can perform their normal trade function. Any measures that can be devised to bolster these central reserves will help prevent world trade contraction.

Hongkong Currency Note Issue

The amount of bank notes in circulation in July was \$857,128,361, a decrease of \$18 million against June. Of the three note-issuing banks the Hongkong & Shanghai Banking Corp. accounted for \$803,376,790 of the total circulation, the Chartered Bank of India, Australia & China for \$49,885,581, and the Mercantile Bank of India for \$3,865,990. The highest circulation was recorded last April (\$880.9 m.), the lowest circulation for the first seven months of this year was recorded in January (\$822.1 million). Year-end circulation figures in 1947 and 1948 were \$675.1 m. and \$783.2 m. respectively. Against the 1947 circulation the total issue as at July 1949 amounts to an increase of 27 per cent.

The note issue is somewhat contracting not on account of a decline in the commercial and financial activity in Hongkong—the contrary is the fact—but because of a very slow return of HK\$ from Canton and Kwangtung province where trade has declined and consequently the need for currency notes diminished. Still, HK\$ remains the principal currency in Kwangtung from where, however, it may gradually be expelled in case of the assumption of power in that province by the Chinese Communist Party when the People's Bank note will, as in other parts of 'red' China, be declared the sole legal tender. An estimated 25 to 30 per cent of the Colony's bank notes are either circulating or hoarded in South China, the larger portion of which may in due course return to Hongkong for the purpose of investments in the Colony, in British Empire countries (by conversion of HK\$ into sterling area currencies), in the USA (conversion on the open market into US\$), for engaging in commerce (purchasing goods from sterling area and other countries) etc. To European observers the note issue might appear somewhat high in comparison with the volume of business transacted but this is explained by the fact, apart from the use of HK\$ in South China (and previously in Shanghai mainly as a hedge against inflation), that cheques play a much smaller part in the settlement of accounts in Far Eastern countries; fur-

thermore, many Orientals prefer to keep bank notes in their homes and on their person instead of opening bank accounts.

Gold Markets

The general expectation last week was that sterling devaluation was still far off and therefore sellers again were profiting. A number of speculators, mostly from Shanghai, who always distrusted sterling (and HK\$), preferring to keep their assets in gold and US funds, were however active buyers, explaining their action by the spreading anticipation of sterling's early devaluation. These speculators have now reaped some reward for their foresight and for their refusal to believe in official statements by the British Government. There is a lesson to be learned from the Shanghai speculators' persistence in discounting sterling.

Last week the reports about the raising of world gold prices have been insistent in spite of the US Treasury denying such a contingency. Although the public, all over the world, has come to distrust official announcements and, after the sterling devaluation of Sept. 18, will lose what little faith there may have been in the trustworthiness of government generally, the US Treasury statement of last week was true only with regard to the gold price in terms of US\$; it was untrue with regard to the official gold prices in terms of other currencies which now, together with sterling, are being devalued against the US\$. Gold has officially appreciated in the sterling area and in many Western European countries and the gap between official and free market rates has narrowed.

To hold gold has, once again, proved to be sound investment policy in a period when the value of managed currencies is continually subject to changes. Although gold holdings do not yield any returns they nevertheless protect the owners from being caught in one of the periodic currency depreciations which, in fact, nibble away substance of savings (bank accounts, life insurance and endowment policies etc.). The insistence, by governments, to declare private gold holdings as illegal only proves, in the light of the latest currency devaluation series, starting with sterling on Sept. 18, that governments are not acting in good faith towards the citizens.

The local market was influenced last week by the large-scale gold sales of the Central Bank of China in Canton which, among other consequences, frustrate any hopes which might have been held here with regard to possible exports of gold from here or Macao to South China. That the demand in China has dropped to almost nil and that in a future communist China there will be no investment requirement for gold—though the ornamental trade will of course continue—is now patent and no reiteration is necessary.

Imports into Macao nevertheless continue at a reduced pace, mostly deliveries of old contracts. Re-exports

to other Far Eastern countries, mostly with final destination India, seem to be progressing well and there is some hope for more active business in this respect. "The Chinese customer is dead, long live the Indian."

There was last week strong seasonal demand by goldsmiths which fact contributed to a steadier rate. Those who bought last week were really lucky—the superstitious must have derived much satisfaction from the 'Chinese Leap Year' month which coincided with the relatively low prices of gold prior to the devaluation of sterling and the official appreciation of gold.

Highest & lowest prices of last week, in HK\$—per hongkong tael of .945 fine \$316-289, corresponding to .99 fine prices of \$331-302½ per tael, and \$275-251½ per troy oz. Actual business in .99 fine bars was recorded at \$332-305. Crossrates per oz. in US\$ were 48¾ high, 45¼ low. Overseas bullion dealers reduced their offers to 43 to 43½ as the prospects of sales to China disappeared while demand from other Far Eastern countries and India (to be supplied via Hongkong) was too small to be of interest except to non-professional bullion dealers.

Trading Reports of the week:—

Monday, September 12:—Opening and closing rates \$297-302¼. On the fictitious forward market the change over favoured sellers at the interest rate of 11 cents per tael per day. Throughout the week, the change over rates continued in favour of sellers. Better off-take for exports and the temporary cessation of selling by the Central Bank of China in Canton steadied the market.

Tuesday, Sept. 13:—Opening and closing 297-305. Change over 20 cents. Although a success of the Washington finance ministers meeting was expected, speculators preferred to buy believing that devaluation of sterling still is possible.

Wednesday, Sept. 14:—Opening and closing 302½-313. Change over 25 cents. Ornamental requirements were greatly increasing locally and also in China. Rates were firm.

Thursday, Sept. 15:—Opening and closing 316-297. Change over 25 cents. The opening rate 316 was the highest recorded in the week. Heavy selling by the Central Bank of China in Canton turned the local market weak.

Friday, Sept. 16:—Opening and closing 294-302. Change over 15 cents. Lowest of the week 289 touched, speculators bought on news of threat of the possible devaluation of sterling.

Saturday, Sept. 17:—Opening and closing 305-298. Change over 25 cents.

The further selling of Central Bank of China in Canton weakened the local market. In the afternoon, unofficial business was transacted at 300-297.

During the week under review, official tradings were over 210,000 taels, average about 35,000 taels per day. Positions left open estimated at about 175,000 taels per day, in which interest hedging forward operators, gold importers and local speculators oversold, Shanghai, Canton and Swatow operators overbought. Cash bars turned over officially 32,260 taels, unofficially about 22,000 taels, totalling 54,260 taels. Turnover of .99 fine bars and Canton .98+ fine bars were heavy. (These are included in the figures of unofficial turnover. Sales were at \$2 to 3 premium per tael above the calculated fineness.)

During the week under review, a total of about 28,000 taels were imported, in which 8,000 taels were from Macao and 20,000 taels from Canton. Over 13,000 taels were exported, with details:—Taiwan 3,000 taels, Bangkok 5,500 taels and Singapore 4,500 taels, these were all in .99 fine bars. Ornamental consumption increased heavily to over 15,000 taels, this was caused by the habit of the Chinese who expect to be lucky when they get gold ornaments in the extra month of the Chinese Lunar Leap year. About 26,000 taels changed hands between interest hedging forward operators. Local ready delivery stocks remained unchanged, estimated at 335,000 taels.

US\$ Market

Highest & lowest rates of last week, in HK\$:—US notes 568-550, DD 561-548, TT 563-549, crossrates, at the parity, of US\$2.84-2.91, and at the official selling rate of TT London (1/2-13/16), US\$2.88-2.95. Overseas business in area account sterling from US\$ 2.75 to 2.85. New York free market quoted for 3 months forward TT London 3.88-3.91, six months forward 3.84-3.86, and pound notes for 2.86-2.92.

Sales in the local market totalled last week US\$3,850,000 (TT 1.6 million, DD and notes 2¼ million). Large volume of sales of US notes was much commented upon. The KMT government was selling US notes and Shanghai holders were also liquidating.

More savings are now put away here in US notes and a number of banks are opening US\$ accounts for local clients; this practice has been frequent in Shanghai and has recently spread in the Colony. With the arrival of many refugees from China the holding of

US\$ rather than the local currency has found more favour even with local residents. The sterling devaluation should give further impetus to this tendency. The importance of the US\$ in the financial life of Hongkong was greatly enhanced after March this year but recent events, especially the devaluation of sterling, cannot but bring about a considerable further gain of prestige of the US\$ with subsequent preference by especially the Chinese investors to switch over from the local currency to the US\$.

Inward remittances were sold in larger amounts as the mid-autumn festival was nearing. Merchant demand was more noticeable as TT New York declined and imports from the US appeared more profitable. Gold importers remained outside the market, no new contracts have been entered into since several weeks and there is no hope for a revival of gold imports into Macao on a scale as witnessed during the last 18 months. Manila and Bangkok offerings were almost absent as local open market rates were in line with if not exceeding rates in other Far Eastern exchange markets.

Japan account US\$ firmed up and most business was done around HK\$ 7.40 i.e. 30 to 35% above TT New York rates. Importers of a great range of Japanese goods aver that even at this excessive exchange rate they can clear good profits. Demand for Japanese manufactures is brisk all over the Far East and buyers are willing to pay not much less than for American or British goods. In many cases, Japanese goods prove of a better quality, at least of a preferred one, than foreign products. Japanese exporters could outsell others if the exchange was not so high; it can be imagined how successful Japan will be commercially in the future when limitations on her foreign exchange transactions will have been removed. Japan's recovery has indeed been faster than was observed in many 'victor' countries.

Silver Markets

Highest & lowest prices in HK\$:—per tael 4.20, Hongkong & other than Chinese dollar coins 2.70, but no business was done; Chinese silver dollars 3.02-2.90, twenty cents coins 2.70-2.60, with business about 40,000 taels in weight. Market quiet on account of small fluctuations in Canton and fewer travellers arriving and leaving.

Unofficial Exchange Rates

Last week's highest & lowest bank note rates (in HK\$):—

Piastres, forward 12.60—12.00, spot, 12.45—11.90. Nica guilders 26.00—25.00 (Java Bank guilders sold lowest at 23½). Baht 26½ (small denomination notes 25½). Per 100 currency units).

Bank of England note 15½—15.20, Australian pound 12.45—12.30 (small notes 12.15), Canadian dollar 5.22—5.15, Malayan dollar 1.83½—1.83½, Indian rupee 1.21½—1.18½, Burmese rupee 0.73½—0.72, Ceylonese rupee 1.05—1.00, Philippine peso 2.74—2.64.

HONGKONG OPEN MARKET RATES per US\$100

September	Notes		Drafts		T.T.	
	High	Low	High	Low	High	Low
12	5.64	5.50	5.57	5.48½	5.58	5.50
13	5.64½	5.56½	5.58	5.55½	5.60	5.56½
14	5.68	5.58	5.61	5.57	5.62	5.57
15	5.66	5.55½	5.60	5.55½	5.63	5.55
16	5.61½	5.51	5.55	5.50	5.55	5.50
17	5.63	5.50	5.57	5.48	5.56	5.49

Chinese Exchange Markets

Shanghai:—The Bank of China has revised official rates last week first on Sept. 14 and then on Sept. 16, the last quotations being as follows:—

US notes: Peoples Bank yuan (dollar) 3000, TT New York 3200; Bank of England notes PB\$7100, TT London 9150 (official sterling/dollar cross 2.86); Hongkong notes PB\$465, TT Hongkong 500 (official crossrate HK\$640 per US\$100, and HK\$18.30 per £); Canadian TT PB\$2500; TT Singapore 910.

The new rates are the highest so far adopted by the Bank of China; they are considered realistic. Nevertheless, a small black currency market, patronised mostly by flight capitalists and nervous investors, is operating in Shanghai and rates for the US\$ are some 10 to 20% in excess of the official rate.

The new authorities continue with a severe policy of taxation and their revenue in money and in kind is satisfactory. No inflation of the PB yuan is therefore necessary. Public confidence in continued financial stability is general. Significant was last week the circulation of PB yuan notes of 500 and 1000 denominations (previous highest figure was PB\$200) which, contrary to experiences under the old KMT administration, did not result in any financial unrest and advance in commodity prices; the fact is that the public knows that monetary inflation is out of the question with the communist authorities.

The volume of foreign trade is increasing not only, as before, via North China ports but also by a larger number of direct blockade running junks, native craft, coastal steamers and, very recently, ocean freighters. Foreign exchange transactions have multiplied as a result. The Bank of China appears to be anxious to maintain exchange rates at realistic levels; as more imports are arriving and the value of China exports is inadequate to cover import exchange requirements, the value of foreign currencies is bound to advance. The domestic price level is however only slightly influenced by this higher exchange trend; cost of living remains relatively low and the supply of essential commodities is well controlled, raw materials for factories are now dearer in terms of PB\$ but the consumer is not yet feeling the effect.

Hongkong exchange business with China:—Remittances to Shanghai and North China in terms of PB\$ were small and for private uses only as far as official banking channels are concerned; there were however more transactions with Shanghai, also based on PB\$, but conducted at unofficial (in Shanghai called black market) rates which are somewhat more favourable than official (Bank of China) quotations.

Gold and US\$ remittance rates were quoted at 920 to 940 for gold and 840 for US\$ in Hongkong per 1000 in Shanghai. Business done in gold: 450 taels; in US\$ about US\$8000 only. The conspicuous decline in these transactions was due to stricter supervision of black market dealings in Shanghai.

Remittances between here and Canton were quoted at HK\$995½ to 999½ in Hongkong per 1000 in Canton. Business done by private firms: HK\$1.8 million. The Central Bank of China, Canton, obtained large parcels of Hongkong notes on the local market (by selling US notes and gold bars) which were sent to Canton for defraying of government and military expenses. More and larger Chinese govt. official purchases of HK\$ should depress the Hongkong-Canton remittance rate which is bound to turn more in favour of Canton.

Swatow exchange business totalled last week HK\$450,000, rates were 1010 here for 1000 in Swatow. Amoy exchange business was almost nil, rates being 1005 to 1010 here per 1000 in Amoy, most business having been done in US\$ and some in HK\$.

Silver certificates of the Central Bank of China circulate at par with the coin in Canton but in many cities in Kwangtung there is a small discount (2-3%) on them. In Chungking the discount was 7%. The public continues to turn in their certificates without delay and the Chinese official banks maintain immediate redemption into silver coins. Thus the issue of silver certificates must be described as a failure as the KMT Govt. has not been able to circulate a large amount; it would have been just as well to forget about the certificates since the public refuses to hold them. The unfavourable military position of the KMT has of course contributed to this development; the communist authorities have declared that they will not recognise silver certificates as having any value. But even in case of less disturbing news from the war fronts, the general public having deep distrust of all KMT actions, especially in the financial field, would not have held on to the scrip at any rate.

Chinese Nationalist Government Finance

Total estimated expenditure of the KMT government (in all areas under its control, incl. Taiwan) is now running at silver dollars 45 to 50 million (approx. free market exchange rate is HK\$3 per one silver dollar). The estimated monthly revenue is silver \$20 m. and the monthly deficit between 25 to 30 m. The deficit may be slightly reduced by more efficient tax collections, by private contributions and by flotation of war bonds (the latter have been propagandised but not yet been issued as the KMT govt. obviously fears a failure).

The financing of the deficit can only be done by continued sales of gold, silver and foreign exchange reserves of the government (treasury and Central Bank of China). When the KMT left Shanghai and set its headquarters up in Taiwan an amount of 2 million troy ozs of gold and undisclosed amounts of silver and foreign currencies were transferred to Taiwan as well. During the last few months the financing of the deficit has absorbed about 500,000 ozs of gold and the current monthly official sales by the Central Bank of China on behalf of the KMT govt. for the purpose of defraying administra-

tive and military payments runs at 150,000 ozs. Within 12 months the KMT treasury should be empty and the financing of the war at an end. Thus, even without assuming the complete military overthrow of the KMT by the communist forces, the Nationalists will be unable to maintain themselves for more than another year.

In this connection, it must be appreciated that continued official gold sales by the KMT govt. in Canton and in other cities under KMT control will lead to lower gold prices (in terms of US\$ and HK\$) and will furthermore reduce demand for foreign gold by Chinese investors as some 150,000 ozs from Central Bank stocks would have to be absorbed every month.

The KMT government has of course still large silver bullion stocks the sale of which (in form of coins) will help to cover partly the deficit. The height of the US\$ holdings of the KMT government is believed to be below US\$200 million, and what portion of this amount would be available for public sale by the Central Bank is unclear. During recent weeks the KMT government has, through its Hongkong agents, sold larger lots of US notes (not credits in the US) as gold sales in Canton met with some buyers' resistance. The HK\$ proceeds of locally sold US notes were sent to Kwangtung where even the military, in some cases, obtained payment in a foreign currency.

The local open US\$ market should also feel the effect of these Chinese official US note sales particularly if the supply of American bank notes from the KMT source is increased. Hongkong has long been used by the KMT government as their principal exchange market even when its authority appeared contact in most of China; at present, being in a state of dissolution, the KMT govt. is dependent upon the facilities which the free exchange and bullion markets of the Colony offer.

Hongkong Stock and Share Market

The tendency has improved last week with more buying interest and few distressed sellers. A number of shares have found eager inquiry and little scrip was on offer. The share price index reflects the improved sentiment; the late Mr Felix Ellis' averages closed last week at 125.16 being 1.84 above this year's lowest and 13.21 below this year's highest index figure. As we approach the Chinese mid-autumn festival (Oct. 9) there should, barring unfavourable developments which are however improbable, be a noticeable increase in buying of securities which, once it gets underway, would bring up rates generally as the selling pressure has subsided and forced liquidations, in an upward market, cease.

The 'China situation' is developing according to plan — the plan of the communists, and the taking-over of Canton is looked forward to with equanimity. No undue concern is now evinced as regards the expected early arrival of the People's army in Kwangtung with the subsequent establishment of the communist authority in the province. Sanguine opinion holds that there will be a very considerable improvement in the Colony's trade with China in the event of the expulsion of the KMT rule from Kwangtung. Relations with a communist ruled China may not be very sincere but they will nevertheless be profitable, for both sides. Some press and radio rantings may, time and again, tend to poison an

otherwise calm atmosphere but such agitation should in no way influence local and China residents to get alarmed. With the limitations imposed by a cold war strategy the relations between Hongkong and China will be anything but strained and cooperation will be the watchword.

The devaluation of sterling, announced by the British Government on September 18, may stimulate slight rate advances as there is a large volume of idle cash in the Colony's banks which, under the impact of this momentous financial event, may partly look for investment in securities. Unwelcome though not unexpected as the devaluation decision comes it should not influence local holders and investors generally to hope for a much improved price situation. Everything re-

Hongkong Companies

Number of Companies and aggregate Capital

Years	No. of Companies Registered	Total Capital	Years	No. of Companies Registered	Total Capital
		\$			\$
1865—1900	29	263,954,940	1941	71	21,776,500
1901—1914	42	54,443,920	1946	370	955,834,919
1915—1918	28	132,670,016	1947	296	494,014,500
1919—1930	220	482,170,326	1948	211	803,506,956
1931—1939	521	385,766,267	1949—January-June	131	203,490,070
1940	85	40,896,400			

Registration of Private & Public Companies in Hongkong in 1946, 1947, 1948 and the first half year of 1949

Year	Nil	Under 10,000	10,000 to 49,999	50,000 to 99,999	100,000 to 499,999	500,000 to 999,999	1,000,000 to 4,999,999	5,000,000 to 9,999,999	10,000,000 to 24,000,000	25,000,000 to 49,999,999	50,000,000 to 99,999,999	100,000,000 and over	Totals	
													Numbers of Companies	Capital \$
Year 1946	6	7	12	20	115	69	95	24	12	4	6	—	370	955,834,919
Year 1947	9	3	12	14	116	43	75	9	12	2	—	1	296	494,014,500
1948 Jan.	2	—	1	1	4	1	7	1	3	—	1	1	22	392,070,000
" Feb.	1	—	—	—	2	2	4	1	1	—	—	—	11	23,216,656
" Mar.	—	1	1	—	5	3	7	3	—	—	—	—	20	74,190,200
" Apr.	—	—	1	—	8	4	7	2	1	1	—	—	24	70,240,000
" May	1	—	1	1	5	5	8	1	—	—	—	—	22	19,380,000
" June	1	1	—	1	2	5	4	—	1	1	—	—	16	53,920,100
" July	—	—	—	—	3	3	2	2	1	1	—	—	12	64,250,000
" Aug.	1	—	—	—	6	2	6	3	—	—	—	—	18	26,040,000
" Sept.	1	—	1	1	3	5	2	1	—	—	—	—	14	11,130,000
" Oct.	—	—	1	—	8	2	6	—	2	—	—	—	19	30,200,000
" Nov.	—	—	1	1	4	3	4	1	—	—	—	—	14	14,140,000
" Dec.	2	—	2	1	10	2	3	1	1	—	—	—	22	25,350,000
Total	9	2	9	6	60	37	60	16	10	3	1	1	214	804,126,956
" Jan.	1	—	1	—	6	4	9	3	1	—	—	—	25	49,220,000
" Feb.	1	—	—	—	5	3	5	2	1	—	—	—	17	39,210,050
" Mar.	—	—	1	2	6	6	6	1	1	—	—	—	23	35,370,000
" Apr.	—	—	1	—	8	7	6	2	—	—	—	—	24	26,014,020
" May	2	1	1	—	9	2	5	1	1	—	—	—	22	24,545,000
" June	2	—	—	—	5	4	6	3	—	—	—	—	20	29,131,000
Total Jan.-June, 1948. ...	6	1	4	2	39	26	37	12	4	—	—	—	131	203,490,070

The Hongkong Electric Co., Ltd.

Incorporated in 1889 with a Capital of \$300,000 divided into 30,000 shares of \$10 each, the Hongkong Electric Co. is the oldest Public Utility Company registered in Hongkong. Owing to the rapid increase in its activities, the Company's Capital had increased to \$600,000 by 1899 and, keeping in step with the growth of the Colony, further increases were necessary until, by December, 1940, the Authorised Capital was \$18,000,000 and the Issued Capital, \$9,000,000. These increases were largely effected by Capitalising the Reserve Funds and, in no instance, was a premium demanded when shares were offered for Cash. During 1941 there was an issue of 600,000 shares of \$10 each in the proportion of 2 New shares for every 3 Old. This was effected by issuing one bonus share and one share upon payment of \$10, making the Issued Capital \$15,000,000 less a small number of shares not taken up.

At the time the Company issued the bonus shares in 1941, General Reserve was \$3,000,000 and the whole of this amount was absorbed by the bonus.

In 1947, the Authorised Capital was raised to \$50,000,000 and a further 600,000 shares were issued for Cash in the proportion of 2 New shares for every 5 Old, upon payment of \$10 each for the New shares, and the small number not taken up were sold by the Company at a premium. The Issued Capital at 31.12.1948 stood at \$21,000,000 divided into 2,100,000 shares of \$10 each, fully paid.

In common with other Companies severe losses were suffered during the Japanese Occupation and the Balance Sheet as at 31.8.1945 showed these to be \$5,225,630.84, approximately 1/3rd of the Issued Capital.

From 1st. January, 1942, to 31st. August, 1945, Charges, less Income ap-

plicable to that period, showed a debit of \$3,640,526 which was transferred to Profit and Loss Appropriation account, and the balance, \$2,178,073, carried forward to 1946, when it was written off out of the profit for the period 1.9.1945 to 31.12.1946. This action by the Board was not generally approved by shareholders, and dissatisfaction was voiced at the meeting held in March, 1947, when the unreasonableness of writing off the debit balance of Profit and Loss account, in addition to providing \$700,000 for Contingencies, was pointed out. The shareholder suggested writing off the loss and the payment of a dividend of 50 cents a share. That this view was justified was proved when the Board, within 3 months, declared an interim dividend for the year 1947 and, in 1948, wrote back over \$300,000, amount provided in excess of Corporation Profit Tax, part of \$700,000 for Contingencies.

The profits, Dividends and Bonuses, and Retentions for the 3 years preceding the Pacific War 1938/40 were:—

Year	Profit	Transfer to General Reserve.	Specific Reserve.	Carried Forward.	Dividend & Bonus.	Dividend & Bonus per share.	Approximate yield on middle price between High and Low.
1938	2,142,141	—	(a) 147,276	267,881	1,500,000 450,000	\$2.50 .75	5.8%
1939	2,676,600	400,000	—	594,480	1,500,000 450,000	2.50 .75	6%
1940	2,290,187	600,000	—	584,667	1,650,000	(O) 2.20 (N) 1.10	6% 6%

(a) Written off Investments.

and for the 3 post-war years 1946/1948:—

Year	Profit	Transfer to General Reserve.	Specific Reserve.	Carried Forward.	Dividend & Bonus.	Dividend & Bonus per share.	Approximate yield on middle price between High and Low.
*1946	2,924,641	—	(a) 2,178,073 (b) 700,000	46,568	—	—	—
1947	5,589,159	156,963	—	429,759	5,049,000	(O) \$3.40 (N) .85	6% 6%
1948	5,018,986	360,052	(c) 500,000	368,446	4,725,000	2.50	5½%

* 15 months. (a) Loss 1.1.42 to 31.8.45. (b) Contingency Reserve. (c) Plant Replacement.

mains in this world of the sterling area and the 'soft currency' countries as it was, only US imports become dearer and exports to the US less remunerative. The local share market remains susceptible, in the first place, to developments in China and reacts slowly only to events elsewhere. As far as the 'local currency' is concerned the sterling devaluation has not caused nor is it liable to cause any real change; an open exchange market has operated here since the end of world war II and, except for very limited requirements, US\$ at the official rate was not available. The new London/New York exchange rate is approx. the same as was recently quoted here on the open market. Renewed interest in the local share market may however stem from misgivings of a sector of the public who would rather hold securities than bank credits.

Business of last week:—

Volume of Business:—Total Sales reported amounted to 41,193 shares an approximate value of \$1½ million, an increase of \$¼ million compared with the previous week.

Price Index:—The Felix Ellis averages based on the closing prices of 12 active representative local stocks closed at 125.16 for a net gain of .10 compared with the close of the previous week. Day-by-day, his averages were: Sept. 12, 124.90; Sept. 13, 124.89; Sept. 14, 125.19; Sept. 15, 125.10; Sept. 16, 125.16.

	High	Low
1947	155.82	123.88
1948	148.68	134.05
1949	138.37	123.32

Business Done:

Hongkong Govt. Loan:— Hongkong Govt. 3½% '48 @ 101.

Banks:—H.K. Banks @ 1430, 1440, 1450, 1500, 1520.

Insurance:—Unions @ 640, 680, 700, 680.

Shipping:—Union Waterboats @ 22.
Docks, Wharves, Godowns, Etc:—H.K. & K. Wharves @ 105; North Point Wharves @ 5½; Sh. Hongkew @ 14; China Providents @ 11½; Wheelocks @ 25½.

Hotels & Lands:—H. & S. Hotels @ 10½, 10.20, 10¼, 10.30; H.K. Lands @ 46¼, 46½, 46.

Utilities:—Hongkong Tramways @ 16.30; China Lights (O) @ 11½, 11.30, 11.20, 11.30; China Lights (N) @ 8.60, 8.30, 8.40; Hongkong Electrics @ 31¼, 31, 30¾; Telephones @ 19¾, 19½, 19.

Industrials:—Caldbecks @ 24; Cements @ 19.70; H.K. Ropes @ 12; Dairy Farm @ 37, 37½; Watsons @ 41, 40½, 40; Lane Crawford @ 17; Wing On @ 75.

COMMERCIAL MARKETS

Devaluation of Sterling and Hongkong

It is still a little early to estimate the effect on Hongkong's economy of the recent announcement by the British Government that sterling would be devalued by 30½% from 4.03 to 2.80 against the US dollar. An official statement issued by the Hongkong Government points out that there is "no excuse whatsoever for any rise in the price of any articles imported from America, nor indeed from any other dollar area," because "we in Hongkong have always paid for our consumer goods from gold dollar areas in free market dollars, so as far as these goods are concerned the effects of devaluation have been completely discounted."

On the local commodity markets an attitude of expectant waiting was only broken in one or two instances by a rise in the price of goods destined for China, which had not so far taken action in regard to the position of the Hongkong dollar which passes as legal tender in many parts of China, notably the south. Paper merchants would like to be able to recoup some of the losses caused by falling prices in Europe against their indents, but the majority of the local exporters recognise that the position is temporary and that the known ability of the British people to weather even the most serious storms may cause the position to stabilise itself sooner than might otherwise be expected.

Working account for 1947 showed a sharp rise, but a slight drop in 1948, due it is generally believed, to reductions in charges for current in an endeavour to bring down the cost of living. That reduced profit on Working account for 1948 was only temporary is borne out by announcement of an increased interim dividend for 1949. At the same time a reduced charge for current was advertised, rather pointing to further reduction in generating costs.

The Working accounts for the three post-war years were:—

	1946	1947	1948
(15 months)	\$3,614,351	\$6,747,198	\$6,381,013

but since Depreciation is a heavy annual charge against Working account, it is necessary to take this into consideration when discussing annual profits, and below are amounts of depreciation written off Fixed Assets for the years 1946/1948:

Year	Book Value at 1st. January.	Additions, less sales.	Depreciation written off.	Approximate percentages written off	
				Book Value of Fixed Assets at 31st. December.	Book Value at 1st. January.
1946*	6,026,038	360,974	647,091	5,739,921	10.5%
1947	5,739,921	1,563,992	528,408	6,775,505	9%
1948	6,775,505	3,523,459	842,587	9,456,377	12.4%
* 15 months.					

In any case, even if inclined to blame the British Government for devaluing the currency, it may help to place things in a better perspective if it is remembered that during the last war most of the allied nations received help from Great Britain in the form of loans, apart from any other assistance rendered, and a very great part of this money is still outstanding. Russia, for instance, owed Great Britain £33,185,000 on March 31, 1949, against the amount outstanding on March 31, 1948, of £35,710,000; China owed £12,523,182 against £12,790,994; Czechoslovakia owed £16,493,541 against £20,483,184; France still owed £99,684,693 against £100,180,637; the Netherlands owed £42,855,009 against £45,000,000; Poland owed £57,500,000 (unchanged) and Turkey owed £30,126,050 against £31,902,284.

Stark Realities

The startling devaluation of the pound sterling—startling because of the heavy drop—with the attendant speculation as to what effect it will ultimately have on trade and on living conditions generally, has thrown the announcement emanating from Washington that the American, British and French Governments have discarded all thought of further aid to the Nationalist Government, well into the background of world events. But it cannot remain there. The Nationalist Government has undoubtedly received a very

serious though not an unexpected blow to its hope of survival, while on the other hand, the Communists have every reason to look ahead with added assurance.

During the past few weeks there has appeared to be renewed intensity in the mustering of forces between the two protagonists for a further and possibly final struggle. Chiang Kai-shek and his Government undoubtedly hoped that America might, even at this late stage, rescind her former declaration that no further aid would be given to them and, sustained by this hope, apparently took fresh courage, but any expectations of this nature have now been definitely crushed. The White Paper which pointed an accusing finger at the Nationalist shortcomings, was not simply a gesture of disapproval but a very definite repudiation of any further interest. During the Washington talks this rejection was implemented and today the Nationalist Government is face to face with the stark realities of the situation, and the outlook can only be regarded to be extremely grave from that point of view.

It is with regret that one watches the struggle that would appear to the onlooker to be reaching its final stage, while the Nationalist Government which at first held so much promise of accomplishing something for the well-being of the Chinese people, is now face to face with a struggle that has grown in intensity each month. The suggestion that the United Nations Assembly might be appealed to holds out little hope, and before Dr. Wellington Koo can sound the opinions of the Assembly on this point, the fate of China will probably be decided. The whole question now rests exclusively between the Communists and the Nationalist Government and must be fought out on those lines.

North China Trade

Considerable interest has been aroused by the recent arrival in Hongkong of a shipment of whole hen egg spray from Tientsin. Before the war, egg products were one of the major exports from Shanghai and Tientsin, and although the USA has since stepped in to fill the needs of a hungry world, it is considered that there is still a place for the China product if it can be kept up to standard; and when a settled government is once more established in China, such shipments are bound to return to the northern ports for export abroad. Meanwhile Hongkong has been short of supplies with which to meet demands from abroad as well as locally, and the new arrivals were therefore all the more welcome as an indication that production was being revived in the north.

During August 50 tons of whole egg spray were despatched to Belgium from Hongkong, for the eight months of the year over 200 tons going to Europe and America. At the beginning of September the price offered in New York was US 80 cents per lb., but this was later raised to 95 cents.

As far as Shanghai is concerned, the latest reports point to a general betterment in the situation between capital and labour. Disputes which only a few weeks ago would have taken on serious proportions, have recently been more or less amicably settled. Cargo is arriving in Shanghai by various routes, principally from Tientsin, where trade is flourishing, while a certain amount of cargo has succeeded in going direct to Shanghai.

The Wheat Flour Position

Local dealers are anticipating that there should soon be a reduction in the general price of wheat flour for forward sales as a result of heavy arrivals. Recently a shipment of 40,000 bags arrived, which was followed by further deliveries of 30,000 bags and 2,000 bags of O.K. brand, 9,000 bags of Leopard brand and another consignment of 26,000 bags which included 10,000 bags of White Green brand, 10,000 tons of Farmer and 6,000 bags of Delta's Queen brands.

Some 10,000 bags of Canadian flour also arrived, but as it was destined for Central China this consignment was not expected to affect the local market.

Trade with Thailand

Under a barter system entered upon with Japan by Thailand, the latter will export to Japan rice in exchange for goods. Local exporters are concerned that this will deprive them of a hitherto lucrative market, as shipments which came through Hongkong for transshipment will now go directly to and from either country. The goods supplied up to now by Hongkong to Thailand have been to a large extent re-exports from abroad, and it seems that the bulk of them can now be supplied by Japan. From January to April of this year exports to Thailand from Hongkong amounted to HK\$376,293 or 10.2% of the Colony's total trade the chief commodities being textiles and clothing, metal articles and iron & steel manufactured articles in general, chemicals, dyeing and tanning materials, electrical machinery and appliances.

Apart from agricultural products, Thailand has little to offer, but a deal is being negotiated through Hongkong for the despatch of salt from Thailand to Japan with an opening offer of US\$ 18.50 per metric ton c.i.f. Japan.

From the local merchant's point of view, certain imports from Thailand yield a good profit, among these being dry ordinary buffalo hide consisting of 80% first quality with 20% second, averaging 35 lbs. per piece and offered at HK\$165 per picul c.i.f. Hongkong with shipment in from 1 to 3 weeks at latest; transparent buffalo hide 90% first quality and 10% second, 30-40 lbs. per piece offered at \$418 c.i.f. Hongkong; glue sheets offered at \$1870 per metric ton of 50 kilos per case; black sesame seed with forward booking at \$880 per metric ton.

New Trade Scheme for Indonesia

A new trade scheme has been announced under which approximately Malaysian \$16 million worth of goods will be exported from Hongkong and Singapore to Indonesia during the three months commencing October 1. It is understood that this scheme is intended to take advantage of the heavy stocks of goods at present held on the Hongkong market. The range of commodities to be permitted for import into Indonesia includes chemicals for industrial use, such as dyes, unfinished cotton fabrics, iron & steel, machinery & tools, electrical equipment, rolling stock and motor vehicles, bicycles & spares. The exports from Hongkong and Singapore will continue to be subject to the regulations existing in the two colonies. Indonesian traders who receive foreign exchange proceeds through the export to Hongkong and Singapore of produce such as birds' nets, beche de mer and dragon's blood, will be allowed to make payment for the imported goods.

It is also learned that as from October 1 luxury imports into Indonesia will be subject to an import duty of 25%, and that industrial and essential items will be subject to a slight increase in taxation.

Sarawak Trade Figures

According to figures issued by the Sarawak Government, external trade has risen by 3,934.9% in the last forty years. Total trade last year was valued at Malaysian \$270,020,772, imports amounting to \$98,769,885 and exports to \$171,250,887. Total trade in 1908 amounted to \$6,692,079, with imports at \$2,471,878 and exports at \$3,221,079.

Hongkong Coal and Flour Stocks

Coal:—At the end of July coal stocks here amounted to 56,208 long tons, viz. 23,887 bituminous lump, 23,717 bit. dust, 3,164 anthracite dust, 5,150 gas coal, and 290 long tons coke. The monthly average for the first half year was 57,477 tons, and for the year 1948 amounted to 87,298.

Wheat Flour:—Stocks for the first 3 months of this year were respectively 1671 long tons, 2177 and 3316 tons. The 1948 monthly average was 3448 t.

Hongkong Rice Imports

Rice imported here under international allocation aggregated for the first half year 1949 a quantity of 43,438 metric tons nett (landed weight). About 70% came from Thailand, viz 31,028 tons, with Burma sending here 12,410 tons. Last year's arrivals were excessive, 109,972½ tons, coming from Thailand 58,095 tons, Burma 36,257, Indochina 15,619, and Egypt 4,646 t. In 1947 and 1946 arrivals under allocation amounted to 81,296 tons and 79,086 tons respectively. The rice from Thailand and Burma which is rationed out to registered rice card holders is considered of average quality, however, the majority of the local population prefer for their diet rice from China which is amply available on the market.

Milk Production in Hongkong

Fluid milk production in Hongkong in June and July amounted to 60,565 gallons and 66,495 gallons respectively. The monthly averages for the first half year 1949 and for the year 1948 were respectively 55,566 gallons and 42,987 gals. (The 1947 monthly average was only 32,544 gals.). The principal producer is the Dairy Farm, Ice and Cold Storage Co. Ltd., a public company under British management.

Meat Consumption in Hongkong

Animals slaughtered in public abattoirs during June and July aggregated 46,183 heads and 44,908 heads respectively. The monthly averages for 1949 (first half year), 1948 and 1947 were respectively 49,494; 49,272 and 41,249. Swine account for the majority of animals slaughtered locally with cattle next and sheep & goats accounting only for a fraction. (The monthly average for the first six months of 1949 was as follows: 45,961 swine, 3130 cattle, 403 sheep & goats). Frozen meat from Australia is an important item of imports.

Fish and Vegetable Sales in Hongkong

Fish:—Tonnages of fish marketed during June 1949, 1948 and 1947 were respectively 1782; 1138 and 453 tons. Last June, out of a total of 1782 tons of fish, salt fish accounted for 625 tons, salt water fish for 617 and fresh water fish for 541 tons.

Vegetables:—Tonnages of vegetables marketed at the Government wholesale market in Kowloon during July 1949, 1948 and 1947 were respectively 790; 647 and 849 tons. The largest sales were recorded in water spinach, sweet potatoes, turnips and cabbage.

Hongkong Production of Cement

In July the local firm producing cement (Green Island Cement Co. Ltd.) reported 5,810 metric tons but in June the output was only 864 t. The monthly averages for 1949 (first six months), 1948 and 1947 were respectively 3057 tons, 4435 and 2852 t. The relatively low priced cement from overseas sources has curtailed the output of the local factory as private builders used Japanese, Formosan etc. cement with only Government patronising, for its large building projects, the local cement works.

Hongkong Mining Production

During the first half year 1949 the mining production of the Colony totalled 22,891 tons of iron ore and 900 lbs of wolfram. No clay (kaolin) nor tin was mined this year. In 1948 the mining output was as follows:—908,238 tons of iron ore, 200 lbs of wolfram, 3,874 tons of clay (for eight months only), and 1811 lbs of tin ore. The iron ore mine in the New Territories ceased last year operation as from June and resumed this year in February, producing recently 5500 tons per average month. Wolfram ore mining has been suspended as from June.

Wearing Apparel in Hongkong

Wearing apparel of United States manufacture dominates the market for such imports into Hongkong. Apparel from the United Kingdom is second in importance. Wearing apparel manufactured in Hongkong is not competitive with United States and European products. Shirts and cotton underwear are the only domestic products of the approximately 20 manufacturers of Western styled apparel. The domestic industry employs less than 500 workers. The products of these firms are exported primarily to Singapore, East Africa, and other British Commonwealth countries for sale to working classes.

Practically all wearing apparel is imported by retailers, duty-free. It is estimated that of the 2,000,000 population in Hongkong approximately 100,000 wear Western type clothes.

Simplified Export Procedures in Japan

On July 18, 1949, SCAP announced in Japan a liberalization of export procedures on contracts valued at less than \$50,000.

In the future, standard forms will not be required for such contracts in which cash payment is made through letters of credit. Exports may be arranged for on forms of the choosing of the parties, by letter, or by cable. The seller will be required, however, to furnish the original signed letter or the cable and a summary of the essential terms of the contract when applying for an export license. Contracts under the new procedure still require the approval by the Japanese Ministry of International Trade and Industry and validation by SCAP, as in the past.

The new procedure will restore normal commercial practices for the vast majority of export contracts, and it is expected that the filling of repeat orders and other transactions customarily handled by cable or mail will be greatly expedited by this new procedure.

The procedure is not available for contracts in excess of \$50,000, for open-account contracts or other contracts on any basis except cash payment through letters of credit.

Japanese Postal Service.

The Supreme Commander for the Allied Powers (SCAP) announced that since July 27, 1949, restrictions on the transmission of papers of legal procedure in the international mails to and from Japan have been relaxed to permit the mailing of such papers pertaining to patent, trade mark, design or utility model applications and rights. A recent SCAP press release on this subject indicates that Japanese obtaining patents or registering designs in foreign countries will now be able to transmit any legal papers relating to such matters and that foreign nationals may transmit such papers to Japan in connection with any industrial property rights which they may apply for and obtain in Japan.

Rubber Production and Consumption.

World consumption of natural rubber during the first seven months of 1949, exceeded world production by

22,500 long tons, according to estimates of the Secretariat of the Rubber Study Group. July production of 120,000 tons, however, exceeded consumption in that month by 12,500 tons. Consumption of natural rubber in the first seven months of 1949 was 840,000 tons, an increase of 45,000 tons over the same period of 1948. The 1949 figure includes 72,500 tons of estimated Russian imports, compared with 29,000 tons in the 1948 period.

Total production for the first seven months of 1949 was 817,500 tons, 32,500 tons less than in the same period of 1948. July production included 26,741 tons from Indonesia, compared with 40,714 tons in July 1948, when world production was 132,500 tons. During the third quarter of 1948, native production in Indonesia averaged 33,000 tons monthly; the July 1949 figure, however, was only 17,421 tons.

Stocks of natural rubber at the end of July, excluding Government stocks in the United States, United Kingdom, and France, are estimated at 680,000 tons, down 90,000 tons since the end of 1948.

Excluding Russia, synthetic rubber production in July is estimated at 37,500 tons, consumption at 32,500 tons, and July 31 stocks at 127,500 tons, the same as at the end of 1948.

Jute Prices & Crop

The increase in the price of jute and jute products since 1940 is the largest percentage gain for any fiber, natural or synthetic, which competes in world markets. A general index figure shows that prices are now 338 per cent higher than in 1940 as compared with 320 per cent for cotton, 180 per cent for wool, 183 per cent for paper and pulp, and 150 per cent for rayon.

The total jute crop of India and Pakistan has been estimated at about 11,000,000 bales for 1949. The crop in Pakistan will be about 8,000,000 bales in 1949, and that of India is expected to be about 3,000,000 bales. India's production amounted to 2,100,000 bales in 1948.

Pepper Trade Of Malaya

During April 1949, Malaya imported 296.38 tons of black pepper and 68.75 tons of white pepper, representing an increase of 143.19 per cent for the former and a decrease of 24.97 per cent for the latter from the preceding month's figures. Sumatra supplied 280.71 tons of black pepper, or 94.71 per cent; the principal suppliers of white pepper were Banka, Billiton, and Sarawak.

Imports into Malaya in the first 4 months of 1949 amounted to 2,038.71 tons of black pepper and 320.92 tons of white pepper as against 593.87 and 586.96 tons, respectively, during the same period of 1948, or an increase of 243.29 per cent for black and a decrease of 45.32 per cent for white pepper.

In April 1949, 192.07 tons of black pepper and 118.77 tons of white were exported from Malaya, indicating decreases of 26.34 per cent and 31.80 per cent, respectively, from March 1949. Of the total exports, Malaya's best cus-

tomers for black pepper were the United States, which took 85 tons, or 44.25 per cent, and the Netherlands, 74.85 tons, or 38.97 per cent. The leading buyers of white pepper were the Union of South Africa which took 50.50 tons, or 42.52 per cent; Australia, 30.50 tons, or 25.68 per cent; and the United States 25 tons, or 21.05 per cent (only 1 ton in March 1949).

Total exports for the first 4 months of 1949 were 1,327.54 tons of black and 669.56 tons of white as against 1,682.01 tons and 1,234.99 tons, respectively, in the corresponding period of 1948, representing decreases of 21.07 per cent for black and 45.78 per cent for white pepper.

Indochina Rubber Output

Rubber production in Indochina in the first quarter of 1949 was 5,477 metric tons. In the first quarter of 1948 it was 6,769 tons. The first quarter of 1949 included the small production of 428 tons in February. Negligible production is normal in February inasmuch as the Chinese New Year holidays coincide with the culmination of the dry season when trees lose their leaves and latex flow drops sharply. Many plantations close down tapping in February. Production should increase in each month during the rest of the year.

Stocks on rubber plantations at the end of March were 2,898 metric tons. March consumption was 94 tons; April consumption was 87 tons.

18,693 Metric tons of rubber were shipped in the first 5 months of 1949 compared with 14,046 tons in the same period of 1948. Of the 1949 shipments, 95 per cent went to France and the remainder to Hongkong, Singapore, and the United States. Although production decreased, unusually heavy exports in the first 2 months resulted in the heavier tonnage figure for the first 5 months of 1949.

Indochina Import Plan.

The importation plan for Indochina for the period July 1, 1949 through June 30, 1950, has not yet been approved. The original plan, comprising imports valued at US\$20,000,000, as first sent to Inter-Ministerial Commission at Paris, which decides how many dollars and other foreign currencies may be expended each year by Indochina, was cut to \$11,000,000 and sent back to Saigon for revision. The local authorities concerned are now reviewing the lowered totals to be allocated on certain items, and will resubmit them to Paris shortly for final approval.

Japanese Rubber Goods

Production of rubber goods in Japan in the first 3 months of 1949 included 135,934 truck tires and 137,978 truck tubes; 75,167 passenger car and motorcycle tires and 69,741 tubes; 10,234 other vehicle tires and 10,558 tubes; 1,198,475 bicycle tires and 1,363,781 bicycle tubes; and 9,065,290 pairs rubber footwear.

These amounts showed considerable gains over production in the first 3 months of 1948, when the output was

65,326 truck tires and 68,761 tubes; 34,829 passenger car and motorcycle tires and 38,766 tubes; 3,973 other vehicle tires and 7,064 tubes; 767,786 bicycle tires and 781,188 tubes; and 5,546,581 pairs of rubber footwear.

Philippine Shipyard & Steel Mill

Construction of a national shipyard in the Republic of the Philippines, which will include a steel mill as an auxiliary plant has been approved. The steel mill will have a daily capacity of 50 tons. Power for the shipyard will be supplied by the Manila Electric Co. Approval by the National Development Co. does not imply immediate construction of either the mill or the shipyard. The establishment of a steel mill at the Marie Cristiva area will continue being advocated, with the mill to utilise local iron ore.

HONGKONG COMMODITY MARKETS.

Cotton Piece Goods

At the beginning of the week, demands for lower quality piece goods on the part of Korean buyers led to a rise in prices, but this was followed by a fall towards the close: grey sheetings Mammoth Bird rose to \$47.50 per piece from \$46.90 and fell to \$47, Bellman rose from \$45.60 to \$47 and fell again to \$45.80, Double Lamp rose from \$45 to \$47 and dropped to \$46, Precious Jade rose to \$44 from \$42.50 and ended at \$42.50, Fairy Tiger rose from \$42.70 to \$46.50 and fell to \$45.70 per piece; white cloth Tsing Mu Lan rose from \$44.20 to \$46 and dropped to \$45; black cloth Hing Fung rose from \$54 to \$58 and fell to \$56, Yu Tai sold at \$47 per piece.

A shipment of German poplin, which had been intended to meet summer demands, arrived and in spite of being late met with a favourable market, around 30,000 yards being sold at the reduced price of \$1.80 per yard of 30 inches wide.

Woollen Piece Goods & Yarn

British *woollen piece goods* have been reduced in price by 10% to \$10 per yard for the best qualities; British serge arrived at the indented average price of \$5 per yard. Japanese material for evening wear showed an increase in the indented price from \$12 to \$14 per yard, but dealers fear that at the present high rate of exchange these will not be very profitable. Italian woollen fibre materials arrived at the indented price of \$7 per yard, with spot cargo selling at \$9.40, overcoatings were indented at \$5 per yard; these prices were considered competitive with good prospects for the dealers.

Stocks of *wool tops* in Hongkong are estimated at 50,000 bales, of 200/500 lbs., which have been in stock for two years, 50% being from Australia, with Great Britain next and New Zealand; the bulk is composed of

No. 48 and No. 50 with a small quantity of No. 60. Some 20,000 lbs. also arrived from China and was sold to US interests for carpet making at the high price of US 60 cents per lb., the equivalent of British No. 48 at HK\$3.40 per lb. No. 48 wool was principally used in the Shanghai mills, consequently at present there is but a small demand for it.

Although the season has started, the lack of demand from China for *woollen yarn* has reduced activities to a minimum; however, within these limits business was brisk for the lower priced qualities. *Woollen knitting yarn* had a good market with demands from Cantonese buyers and good future prospects were anticipated: Double Gun brand sold at \$16 per lb. for over 10,000 lbs., Australian 3-ply fetched \$12.20 per lb., Crane 4-ply stood at \$9.40 per lb.

Raw Cotton

With a dull market, no interest was shown by dealers in the announcement of an increase in the price of Egyptian cotton. The Pakistan Government has announced that cotton may be exported to all permissible destinations except Japan without limitation in quantity up to September 30; no extension of licenses will be granted after that date. North China was in the market for raw cotton, about 10,000 bales being despatched to Tientsin: local market prices were firm with LSS at \$1.68 per lb. and 4F at \$1.64 per lb.

Rayon & Rayon Yarn

Only minor transactions took place during the week in Japanese rayon and rayon yarn: rayon shoe No. MA 120 was offered at HK\$1.50 per yard c.i.f. and rayon fujate No. MA 1085 at \$1.65 per yard c.i.f.

Small transactions took place in No. 150 DA rayon yarn, which was offered at US 80 cents per lb. with counteroffer of 70 cents.

Raw Silk

The market in Japanese raw silk was dull, notwithstanding a shortage in supplies: B quality 20-22 denier was offered at \$2,400 per picul, but without sales, last month's price being \$1,400 per picul; A and AA quality were offered at \$2,600 per picul, but also without sales.

Metals

Information was received that French manufacturers had made a further reduction in the price of *mild steel bars*: round bars were reduced from £25 to £23 per ton c.i.f. Hongkong, flat and angle bars, however, due to a shortage of immediate supply remained at the previous figure of £25 per ton. Military requirements created a demand for angle bars, which with low stocks rose in price: 1½" to 13" and 2" to 2½" improved from \$46 to \$52 per picul, which gave dealers an opportunity to recover some of the losses sustained as a result of reduc-

tions in price abroad; round bars remained steady at the low price of \$30 per picul for 40 ft. ½" to ¾". *Galvanised mild steel sheets*, thin, (Japanese), G30 3' x 7' improved in price to \$9.50 per piece for spot cargo with slightly rusted at \$8.60, en route cargo was at \$8.80 and afloat for delivery within three days at \$9.20 per piece; G30 3' x 6', British, was not in demand and fell to \$7.60, Belgian 3' x 7' showed an improvement in price and sold at \$9.50 per piece. With Korea and Tientsin buyers in the market, Japanese *galvd. corrugated roofing iron sheets* improved and prices remained firm at 68 cents per lb. for G26 3' x 8', 80 cents for G28 and 65 cents for G24, satisfactory profits being shown at these prices. A shortage of supplies from Japan, led to an improvement in the price of British *aluminium sheets* with an active market: 4' x 8' 1/32" rose to \$2.10 per lb., 1/16" to \$2.05 and 3' x 8' 1/32" improved to \$1.80. *Galvd. Pipes* showed a fall in prices: ½" fell to 57 cents per foot, ¾" to 68 cents, 1" to 90 cents, 1½" to \$1.40, 1¾" sold at \$1.60 and 2" at \$1.90. *Black iron pipes* fell heavily, with French and Japanese makes in competition but the British production out the running: ¾" dropped to 55 cents per foot and 3¼" to 65 cents. *Wire nails* were not in demand either for export or for local requirements and no immediate improvement was anticipated: G15 of 1" and G8 of 3", European make, stood at \$47 per picul and G8 of 3" at \$44, local 1" — 4" sold at \$41 per picul. US stainless steel met with a dull market: G18 stood at \$3.80 per lb., G24 rose to \$4 per lb. with sales. *Barbed wire* recovered somewhat from its previous inactivity and prices improved considerably: European ½ cwt. packing, 4 bars, rose from \$25 to \$30 per bundle, 1 cwt. packing sold at \$58 and later at \$60. *Steel wire rope* was quiet, with demands for local requirements but none for export, and prices fell: 1" sold at \$1.90 per lb., 1½" at \$1.60, 1¾" fell to \$1.25, 2" sold at \$1.10, 2½" stood at \$1.10 and 2¾" dropped to 95 cents. A new arrival of *iron hoops* was on the market from the US, but little activity was shown: specification .015 ½" was offered at 70 cents per lb., ¾" at 65 cents, 1" stood at 80 cents, French G20 ½" fell to \$54 per picul while 1" stood at \$53, British G27 white base had a small turnover at 60 cents per lb. and a larger quantity at 55 cents. With no demands from Central China *zinc sheets* had a fall in price: Polish G5 was offered at \$112 per picul, G6 dropped to \$100, G7 & G8 fell to \$115, Japanese 3' x 7' were inactive with G5 offered at \$100 per picul and G6 at \$96. US *zinc oxide* was required by Tientsin buyers and 15,000 lbs. of 30 degrees was sold at 44 cents per lb. British *tinplate* was in demand for Tientsin and 200 lb. casks in skids rose in price from \$125 to \$128 per cask, a shortage of stock prevented large orders from

being filled; the USA product was inactive, 214 lb. case packing of 20" x 28" with 112 pieces per case was offered at \$145 per case, without sales, and 200 lb. case packing stood at \$140 and indent price at US\$22. US tinplate waste 10 x 10" 200 lbs. was offered at \$70 per case for forward delivery as a result of the fall in the dollar TT' exchange rate, with ex-godown at \$92; the British product new indent price was offered at \$84 per cask forward delivery, higher than the American product. Formosan buyers were in the market for *graphite crucible* "Morgan" (British), which sold at 80 cents per kilo for A30/200, A1/10 stood at \$2 and A10/20 at \$1.

Cement

A shipment of about 1,500 tons of Japanese cement is expected shortly, booked at the official rate of exchange for military use at about US\$16 per metric ton c.i.f. Hongkong. Japanese 100 lb. bags on the local market stood at \$6 per bag for spot, forward delivery was \$115 per ton and ex-godown \$122 per ton; Indochina Red Dragon brand sold at \$6.40 for spot per 1 cwt. bag, Danish Bates brand white cement stood at \$15.50 per 1 cwt. bag and Red Lion brand was quoted at \$245 per ton for forward delivery. Green Island cement in 94 lb. bags sold at the usual price of \$5.60 per bag ex-godown, Emerald brand in 112 lb. bags stood at the official price of \$6.50 per bag, Emeraldcrete rapid hardening cement stood at \$7.50 per bag of 112 lbs., Snowcrete British white cement in drums of 375 lbs. nett stood at the usual price of \$55 per drum; Snowcem cement paint (British) sold at \$58 per steel drum of 112 lbs. nett ex-godown.

Glass

Over 10,000 cases of Chinese glass came on the market during the week and as it was much cheaper than European makes though inferior in colour, it found a ready market, especially amongst buyers from Macau, Canton and Wuchow, who purchased over 2,000 cases of 400 ft. 44 oz. at \$410 per case; 100 ft. 24 oz at \$30, 18 oz at \$24 and 16 oz at \$23. Buyers from China showed little interest in European glass which was plentiful. A few bids were received from South Korean buyers. The comparative figures showed a definite advance on China glass prices. Czechoslovakian glass 400 ft. 44 oz first quality was offered at \$470 per case, 2nd quality \$410 and third quality at \$350 French glass 100 ft. 16/18 oz was offered at \$25 per case, Polish 200 ft. 18 oz dropped to \$49.50 and Belgium 200 ft. 24 oz to \$75 while 400 ft. 44 oz stood at \$445. There was a shortage of Japanese glass on the market and cargo movements were correspondingly weak. Japanese 100 ft. 16 oz was offered at \$32.50 and \$31 per case.

Paper

Information has been received that the Communist authorities have placed *cigarette paper* in bobbins and *alumi-*

nium foil on the restricted import list, the reason given being that local manufacturers provided sufficient for their needs; cigarette paper requirements have been estimated at 140,000 bobbins monthly. Indonesian buyers were in the market for British cigarette paper and purchased about 2,000 bobbins: French cigarette paper in reams sold at \$23 per ream and the Japanese make at \$18 per ream; British Lion brand fell from \$26 to \$25 per ream; Centennial brand sold for \$17.50 per bobbin and Elephant brand for \$19 per bobbin. *Aluminium foil* thin quality sold at \$2.55 per lb., British 4.5" x 6.75", thick quality fetched 2.30 per lb., large size silver 20 x 26 fetched \$88 per ream. Buyers from Canton was interested in *cellulose*, which, however, fell from \$76 to \$74 per ream (British) with the expected arrival of fresh shipments; French *cellulose* fell from \$70 to \$72 and Italian from \$68 to \$67 per ream. *M.G. sulphite paper* was also required by Indonesian buyers, particularly in brown, which sold for \$21 per ream of 47 lbs. 40 lbs. white selling for \$19.50; *tissue paper* which was likewise in demand fetched \$11 per ream for 14 lbs. 25 x 44". A heavy stock on hand caused a reduction in price of Holland *strawboard* to meet local demands, a small turnover being effected: G8 sold at \$375 per ton and G10/16 at \$345 per ton, rising later to \$380 and \$350 respectively. *Newsprint* in roll remained steady at 28 cents per lb., in reams of 48 lbs. fetched \$16 per ream.

Gunny Bags

New selling offers from India show that the price has been raised from Rs. 195 to Rs.211 per 100 bags c.i.f. Hongkong. North China interests were actively in the market filling requirements and over 50% of shipments en route amounting to between 7/8,000 bales were booked by them at \$2.65 per bag, the spot price for heavy cees being \$2.90 and sales later being effected at \$2.93 and \$2.97.

Vegetable Oils & China Produce

Notwithstanding forebodings in certain quarters as to a shortage of supplies *tungoil* (*woodoil*) continues to arrive from Canton by rail at the rate of 100 drums daily. Re-exports from Macao of tungoil amounted to over 200 tons for the month of August, without the surrender of exchange, which has given exporters in Macao an advantage over those in Hongkong. At the commencement of the week, tungoil sold for \$153 per picul, without export permit, and \$155 with permit, later the price fell to \$152 with permit and 150 without notwithstanding that several transactions took place. The anticipation of an improved market, based on a rise in Canton for tungoil to \$124 per picul, brought prices up to \$153.50 with permit and \$152 without, sellers later refusing to accept \$153. *Teaseed oil* 5% acid met with a falling market, offers being received from Europe at a reduced price of £187 per metric ton and the rate in Canton falling to \$123 per picul: from the previous figure of \$170 per picul, the price fell during the

week from \$164 to \$158, sales being effected at \$154.50; buyers offered lower rates in anticipation of a further drop in prices, but sellers held firm at \$157 per picul. *Rapeseed oil* continued dull with no transactions; European purchasers have, it seems, turned towards South Africa to fill their requirements in this oil: with export permit stood at \$115 for A quality and \$112 for B, and without export permit at \$110.

Cassia lignea had some transactions in the week at \$54, \$55 & \$56 per picul for 64 catty packing and \$50, \$53 and \$54 per picul for 60 catty packing, West River, Kwangtung; *cassia lignea* in 1 cwt. packing at \$47 attracted no interest. Some *cassia bud* from Tung Hing, Kwangtung, which had been damaged by water sold for \$66.50. There was activity in *gallnuts*, Liuchow, Kwangsi, which sold for \$91 per picul for unsorted quality, no interest being shown in the choice quality at \$97. There was a demand locally for *Szechuen ramie*, which sold at \$166 per picul rising to \$168 and \$173, with special quality at \$180. China rosin remained weak, in spite of transactions with Tientsin buyers: choice quality fetched \$32 per picul and ordinary quality \$31.

With increased demands from the USA, the price of *human hair nets* rose from \$16 to \$18 per gross ex-godown, but without sales. The recent decline in the US TT dollar exchange affected the price of *feathers*: GGS were reduced to \$410 per picul of 100%; first quality duck feathers from Pakhoi fetched \$248 per picul and from Indo-China \$216 per picul.

Bristles

With the season for bristles now here, exports have improved considerably, about 2,000 cases having been exported since September 1. The major portion of these exports consisted of Chungking bristles, the price of which in New York has improved from US\$2.20 to \$2.50 per lb. Tientsin 55 short showed no improvement in New York, the price being US\$6 per lb. Hankow bristles were priced at an average of US\$3 per lb. with New York price at \$3.75. The British market for bristles was inactive, the price of Chungking black standing at 18/- per lb.

Ores

Reduced price offers for *tungsten* (*wolfram*) ore were received from the USA, but sellers preferred to hold on to their stocks: 65 degrees fell from \$245 per picul with permit to \$230, and 85% of 65 degrees dropped from \$195 to \$185; South Korean tungsten was reduced from \$240 to \$225 per picul. *Manganese ore* of standard quality fell from \$235 to \$225 per ton. China *antimony* 99% was dull and selling prices fell to \$192 without acceptances; local production of 85% had sales at \$110 per picul, sellers later holding firm at \$115 per picul.

Beans

Canton and Macao as well as local buyers were purchasing *Dairen soya beans* at \$40 and \$39.70 per picul; Singapore buyers also were in the mar-

ket at a lower price of \$28.70 per picul. Saigon green beans found a dull market, first quality being offered at \$42 per picul and second quality at \$40 per picul with few sales. A steady market is expected for *bean cake*; Formosan buyers were filling their requirements for its use as a fertilizer: spot prices varied from \$28.20 to \$28.50 per picul, with ex-ship at \$27.80.

Industrial Chemicals Market

The sinking in the harbour, after an explosion of undetermined origin, of the Jardine steamer Chaksang, bound for North China, caused the destruction of large quantities of industrial chemicals. Exporters had therefore to buy again what cargo was destroyed and this caused improved prices in almost all items.

Shipping to North China is now regular and much cargo destined for Shanghai is routed, temporarily, via North China ports. Chemicals importers and dealers, with the China market increasingly opened in spite of the blockade by the KMT navy, are anticipating more business. At the same time better demand in other Far Eastern markets has been noted with satisfaction.

Importers have placed many new orders abroad, especially in the US where, due to the lower open market TT New York rate, purchases promise better profits when sold locally to re-exporters. Stocks have been reduced during recent weeks but now shipments are bound to replenish inventories.

World prices show, on the whole, a weak trend and this has resulted in a number of lower quotations in Hongkong. Many indent orders are now considerably below market rates, however, few dealers are forced, or otherwise lose their nerve, to sell cargo below cost. Profits have however come down and may further decline; the volume of transactions is however expected to make up for the reduced profit margin.

Sodium bicarbonate. ICI has lowered the scheduled price of 100 kg bags Crescent brand from \$38 to \$36 per bag. A few lots were sold at \$38, and a few at \$36. Market is normal. Some inquiries for export of USA origin 100 lb burlap bags, but no business was recorded as yet. Price about \$21.50 per bag.

Glacial acetic acid. Although small shipments arrived, the market continues upward. As the stock is scarce, it is expected that within this month the market will be firm. Since Italy origin 25 kg carboys was sold \$1.09 for 200 carboys, the market advanced, at present it is about \$1.20 per lb. USA origin 480 lb aluminium drums sold from 98 cts to \$1.15 per lb for small lots, now about \$1.25. Although aluminium drums are of larger packing, yet buyers like to buy it as it is unbreakable during transit. USA origin 400 lb wooden barrels sold a few drums (odd lot) at 88 cts only. As wooden barrels are always leaking, neither the steamers agree to accept nor the buyers like to purchase. The colour of the wooden barrels is always more

yellow than other packings. Furthermore if wooden barrels are out of old stock, the tare weight increases from about 40 lbs up to 80 to 100 lbs due to absorption of this acid. Netherlands origin 20 kg carboys sold from \$1.14 to \$1.25 per lb, but forward sale for S.S. Molenberg cargo due here about mid October from 95 cts down to 82 cts. Shipments on way to Hongkong are about 15,000 to 20,000 carboys. Some dealers are of the opinion that in October and November the price for Dutch or Italy origin will be lower than 50 cts notwithstanding the present indent price being 65 cts per lb. As godown space for storing acids is limited, when shipments entirely reached here it will be difficult to find space. According to the state of the present export demand, there is no further great purchasing power to support the future market when large shipments are due. Japan origin 20 kg carboys are on offer, but business is scarcely recorded. The most important reason is due to sellers being unwilling to sell at a sacrifice price at the present high Tokyo exchange. Of the carboy packing, the Japan origin is considered the best, as it is mostly seaworthy, second is Canadian and USA cargo, the third is Dutch, and the last quality is Italian cargo.

Potassium bichromate. Business is dull. Small lots of German origin crystal form sold at \$1.06 per lb.

Talc powder. Market dull. USA origin 50 lb paper bags is about \$420 per long ton.

Sodium sulphide solid. Market as active as glacial acetic acid as both are principally exported to North China. However, the quantity of business booked for sodium sulphide is much bigger than acetic acid. English origin 5 cwt or 6 cwt drums sold from \$640 per long ton to \$650, \$680. USA origin about 700 lbs drums sold from \$650, to \$660, \$670, \$680, \$690, and then jumped to \$740. The 700 lb drums packing is most welcome by buyers. The USA origin 625 lb drums sold \$700. The ICI Chinchin brand 5 cwt drums sold \$725, and now is about \$750 and was once sold for a few tons as high as \$800 per long ton due to exporters urgent demand for shipment. Sodium sulphide remains one of the large items in the chemical trade. Last year it was once up to \$1750 per long ton.

Red Amorphous Phosphorus. Several transactions were established. French origin Lion and Fork brand 119 cases sold from \$270 per case up to \$290 and then down to \$280. Recently it is exported to Tsingtao.

Phenol. As buyers cease their purchases, and new shipments arrived, cargo accumulates in many godowns. Sellers are afraid of further drop. Overseas prices decline and local dealers wish to sell out. Therefore the market is easier day by day from about 90c. down to 78c. regardless of any brand or any countries of origin. It was sold at 78c. per lb. for the English Monsanto 448 lb. drums packing. The small lot may be sold 2c. more. Under the present weak demand position, it is anticipated to be lowered to the edge of its indent price 71c. to 73c.

Stearic Acid. Buying interest is small. Single pressed Australian origin was sold of the newly arrived shipment at 90c. per lb. Owing to further drop of indent price and no export demands, the market cannot go upward.

Ammonium Bicarbonate. Regular demands. English origin 2 cwt drums sold \$82 per drum. Polish origin 50 kg drums sold \$38.50 only.

Sodium Acetate. This chemical is scarcely sold on a large scale but recently a few tons were shipped to Tientsin. It was sold at \$1.15 per lb.

Lamp Black. The supply position of Fortress brand and Getz brand is still tight, but demand is loose. Only a few lots of Getz brand 187.5 lb. cases sold at \$255 per case. It advanced by about 10% in price.

Bleaching Power 35%. Demand weak. Red heart brand 50 kg drums sold \$28.50 per drum. Small business was recorded.

Soda Ash. Export demand for this alkali has been quiet for some time. Recently some shipment was sent to Formosa and North China. As this is the commencement of export demands, it is believed that further big business may result in the next few weeks. Crescent brand 90 kg bags dense grade sold several hundred bags at \$38 per bag. French origin 100 kg bags fluffy grade sold \$32.50 to \$33 per bag. Demand for USA origin 100 lb. paper bags dense grade appears, but stock is not much, it is expected to advance. Present price \$20.

Sulphuric Acid. Tsingtao is urgently in need of this acid. USA origin water white colour 75 lb. carboys sold 53c. per lb, whilst the local make milky colour 750 lb. drums sold around 28c. per lb.

Gum Arabic. Egyptian origin 100 kg bags bead form sold around 49c. to 51c. per lb. Business is small.

Citric Acid. In spite of the demand disappearing with the hot season the market is still firm due to large shipment having not yet arrived to replenish the empty stock. Small business was done of the 1 cwt plywood drums English origin crystal form at \$2.30 per lb.

Boric Acid. USA origin 100 lb. paper bags commercial quality obtainable at 40c. per lb.

Sodium Hydrosulphide. Market dull but price firm. English origin 100 catty drums about \$152 per picul.

Zinc Oxide. Demand quiet. It is expected to remain unchanged. At the present price it is profitable to import from Japan basing on the prevailing high exchange rate in Tokyo. On the other hand due to the US dollar exchange on New York more favourable for importers, purchase from USA is cheaper. Japan origin 50 kg wooden barrels with export permit sold 81c. to 81.5c. per lb.

Potassium Nitrate. Small business has been done of French origin powder form 100 kg bags at \$61 per picul.

Acetic Anhydride. Market is much quieter than in previous week. Only small business was established of the 40 lb. drums at a higher figure, \$1.45 per lb. As the stock gets short

the price is firm. However, the indent price now is less than \$1, the future market cannot be considered as good unless supported by buyers.

Lactic Acid. 75% pure 124 lb. carboys sold \$1.65 per lb. for a few carboys only.

Sulphur. Export demands for Korea is rather heavy. Scores of tons were sold. Lump form of 200 lb. bags sold from \$27 to \$26.50 per picul, the powder form 100 lb. paper bags USA origin at \$27 to \$27.20 per picul.

Ferric Chloride. English origin 1 cwt drums sold \$50 per drum.

Vaseline. Ten days ago sellers asked 47c. per lb. for the snow white grade last week it sold 44c. when new shipment arrived. The light amber grade sold 28c. only.

Saccharine. Monsanto granular soluble 1 lb. tall tins old packing declined to \$11.70 per tin.

Zinc chloride. Belgian origin 1 cwt drums sold \$1070 per long ton, and now sellers ask for \$1150. The market is anticipated to advance more or less in spite of this year's indent price being much cheaper, as most importers do not wish to make further purchases prior to the liquidation of their stock.

Borax. Business as usual. Granular form 100 lb paper bags USA origin sold \$21.50 per bag. Crystal form 112 lb burlap bags USA origin sold \$35.50 per bag. The 112 lb burlap bags of granular form is about \$23.70 per bag only. Future market downward, as many sellers wish to sell but there are few buyers.

Paraffin wax. Business was recorded for considerable quantities of AMP 143/150 nine slabs to one carton from \$79 to \$77.50 per picul. The AMP 130/135 100 kg burlap bags is about \$58 per picul.

Potassium chlorate. Market normal. Swedish origin 50 kg cases sold 64 cts per lb, and USA origin 160 lb metal drums at 68 cts. Although hundreds of tons were shipped to North China, yet the market cannot move up due to heavy stock.

Shellac. Firstly the superfine arsenicated orange, the No. 1 quality, sold \$360 per picul, and then down to \$352, now it is asked \$340 only. The No. 2 quality lemon colour sold \$340, now it is about \$330.

Calcium carbonate. 50 kg gunny bags Japan origin sold around \$245 per metric ton. Scores of tons sold. Lately it advanced to \$270.

Extract of mimosa. Market dull. Except small lot of Elephant brand 1 cwt bags was sold \$55.50 per bag, almost no further business was recorded. If substantial interest comes in, it is believed to be available even below \$50.

Extract of quebracho. Market is dull. Only very small lots sold at \$80 per bag for the Crown brand 105 lb bags.

Ultramarine blue. It is a blue pigment, generally used as an additional ingredient to the white paint to increase its brightness. Sometimes it is used in laundry for the same purpose. The ICI Robin brand 100x1 catty packets per case was sold \$157 per picul. The price for this pigment varies greatly according to fineness and shade.

Hongkong Import & Export Controls

Despite its location on the rim of South China and its traditional dependence upon that country for its economic well-being, Hongkong has experienced a postwar trade boom which has thus far exceeded all records in its more than century-long history.

The prosperity of the Colony has arisen from its unique position as an entrepot port, only about 15 per cent of the trade passing through being consumed locally; the adherence to its policy of being virtually a free port; and its freedom from all but a few foreign trade and exchange controls. Thus, import duties are levied only upon tobacco, liquor, petroleum products, non-British manufactured motor vehicles, certain drugs and pharmaceuticals, and table waters; import licenses, where required, are issued freely, except where the item sought to be imported is under international allocation, etc.; and an open but legal market exists for foreign currencies, purchases of which may be used to finance imports. The combination of the foregoing factors has contributed towards Hongkong's position as the principal entrepot port for the Far East and for other areas as well.

Although the Colony's trade in the past has been greatly dependent upon China, it has been able to divorce itself from many of the untoward effects of the economic disruption characterizing postwar conditions in that country, and has extended its markets in other

areas so as to more than compensate for the loss of trade with its traditional trading partner. Hongkong was aided in this by the United States, which not only has been able to supply many of the Colony's imports that were unobtainable elsewhere and has taken large amounts of the exports passing through its port, but also, through its ECA programs of aid to China and Europe, has greatly influenced the trade of other areas by providing funds to import and to produce exportable surpluses. For instance, a good portion of Hongkong exports to China consisted of Siamese rice en route to Shanghai financed by ECA funds.

Of primary importance in the Colony's postwar trade boom has been its policy of remaining virtually a free port, with only a minimum of exchange and foreign trade controls. As there is no major change in these regulations and economic conditions in Hongkong's principal trading partners remain at the same or are at higher levels, the Colony's prosperity can be expected to continue.

Regarding local trade control measures the position is briefly this. Hongkong, in order to remain the premier entrepot of the Far East, must impose controls only on those items which it is essential shall be controlled. The Hongkong Government—and in particular the Department of Commerce & Industry—follows this policy very

Rosin. As inquiries came from Pakistan and Tientsin sizable business was recorded. The Kwangtung origin No. 1 lighter colour about \$36 per picul, the No. 2 quality darker colour sold at \$31. The USA origin 520 lb metal drum H grade was sold \$77 per picul, afterwards it climbed to \$81 but no business transacted at this figure.

Ammonium chloride. Following the consecutive advance of the ammonium sulphate fertilizer, the 1.5 cwt bags English origin sold from \$625 to \$665 step by step. The Polish origin 250 kg wooden barrels cleared the stock at \$630 per long ton. At the moment although new shipments of English or Polish origin have not yet arrived, the USA origin 3 cwt wooden barrels just arrived and were asked about \$600 only. The consumption by dry cell factories is limited, the most important use is as a substitute for fertilizer. Future price depends upon the market of ammonium sulphate.

Glycerine. The Dutch origin 250 drums CP quality sold from \$1.85 down to \$1.78 per lb. The world market of glycerine is much affected by the newly invented process of synthetic glycerine in USA last year. In general, glycerine is refined from soap lye, but the new process is entirely synthetic. The synthetic glycerine plant has started to work, the output has increased and therefore the price is coming down.

Lithopone. The Dutch origin 50 kg bags sold from 51c per lb. down to 39c. The USA origin maintains its price at 44.5c.

Sodium Silicate. Crescent brand

750 lb. drums sold \$136 per drum.

BMT. Market from dull to active. English Monsanto 224 lb. metal drums sold from \$1.70 to \$1.74, and then \$1.75 per lb. It is exported to Tientsin.

DPG. Larger business was recorded. English Monsanto 150 lb. drums sold around \$2.05 per lb.

Caustic Soda Solid. Market is normal. Regular demands. USA origin 700 lb. drums sold between \$156 and \$158, that of 750 lb. drums sold \$160 per drum. The Crescent brand 672 lb. drums sold at scheduled price \$180 for a few lots. It is heard that Polish caustic soda seeks buyers in Hongkong.

Hongkong Food Prices

Below are given the prices of essential foodstuffs in the Hongkong market on September 8:—

	HK\$
Rice, first grade (Yao Tsim) .....	.725
Beef, local	3.50
Pork, local	3.70
Chicken, first grade	5.80
Granulated Sugar .....	.50
Peanut Oil	2.00
Flour, imported .....	.65
Eggs, Hen	1.00 for 5
Garoupa	5.85
Red Sea Bream	2.05
Turnips .....	.60
Potatoes .....	.60
Cabbage	1.32
String Beans .....	.80
Tea, low grade	1.90
Tea, high grade	7.00
Firewood .....	.092

(Except in the case of eggs, the prices quoted are per catty=1.33 lbs.)

closely. There can be few places in the world today where such a volume of merchandise moves with so little control—a term which to many merchants is synonymous with interference—by Government.

Control is imposed on a given item for one of three reasons:—

1. because that item is under world allocation or agreement. For example, certain foodstuffs controlled by the World Food Board; and gold, which is part of our responsibility under the International Monetary Fund.

2. because official exchange is granted, which must be recovered if the goods are later exported. An example of this is petroleum.

3. because the item is in short supply, and the Colony's share must be assured. Certain building materials form an example of this.

Many merchants find it rather a puzzle why certain items are controlled, in respect of their import and export, by the Department of Supplies & Distribution and not the Department of Commerce & Industry. The answer is that the former department can hardly distribute the goods unless it knows how much will be available, and experience has shown that divided control is not the best method.

No doubt it is true that local merchants feel that we have too many controls, but any merchant who moved in here from, say, the United Kingdom would be very agreeably surprised at the paucity of our restrictions.

IMPORT CONTROLS

(1) General

Under the provisions of amendments to General Licence No. 1 published in the Government Gazette on August 27th, 1949, and subsequent amendments the position as regards Imports into the Colony is now as follows:—

(1) All goods originating in the countries stated below EXCEPT:—

Butter, cheese, margarine, flour,
rice and rice products, sugar,
meat of all kinds, tin, tinplate,
coal, coke, cotton yarn, dia-
monds, gold, gunny bags, cotton
linings and poplin, linen piece
goods, lead, cutlery, whisky,
beer, manufactured tobacco, glass
plate and sheet, iron and steel,
zinc and articles manufactured
of zinc, rubber, silver.)

May be
imported
from

(All territories within the British
Empire, including Mandated
Territories (except Canada).
Iraq, Ice-land, Siam, Burma.
(French Indo-China, the Nether-
lands East Indies, the United
States of America and the Re-
public of the Philippines.

(2) All goods, originating in the countries stated below, EXCEPT:—

Coal, coke, cotton yarn,) May be im-
sugar, diamonds, rub-) ported from
ber, silver.) China and
) Macao.

Import Licences are required in all cases except as outlined in the provisions above. In addition, imports from countries outside the territories listed above (especially the countries in Europe outside the sterling area) generally also require an Exchange Permit or authorization by the Exchange Control. These are issued by the Assistant Financial Secretary (Exchange Control). The Import Licensing Office of the

Department of Commerce & Industry is situated in the same premises, for the convenience of the public. Even when the importer has his own exchange or funds available in the country of origin, Exchange Control scrutiny is necessary before an Import Licence can be issued.

(2) Restricted Imports

There are certain restricted imports which require the previous authorisation of the Department of Supplies and Distribution before Import Licences can be granted, in addition to any exchange requirements, as above, which may be necessary. These include:

Food products generally, including those listed in (1) above; but with the exception of milk and milk products, biscuits and canned fish (provided they are not being imported from the United Kingdom).

Building and constructional materials (such as structural steel, mild steel bars, wire and wire nails, cement, etc.)

Coal and coke.

Cotton Yarn.

Tin and tin plate.

(3) Imports from Japan

These are handled wholly by the Department of Supplies and Distribution, which also issues the necessary Import Licences on behalf of the Director of Commerce & Industry.

(4) Prohibited Imports

Gold bars and gold coins.

Tin from anywhere except China.

Swiss watches from the United Kingdom (and the importation of British watches from the U.K. is allowed only in token quantities and when satisfactory evidence is produced that they are of 100% British manufacture.)

(5) Jewellery

Approval of Exchange Control is necessary before Import Licences can be issued, except in the case of small quantities of bona fide personal jewel-

(7) Plants

No person shall import into the Colony any plant originating within the American Tropics without a licence from the Director of Commerce and Industry.

PROHIBITED EXPORTS

Foodstuffs: Butter, Flour, Rice, Sugar.
Bottles—all kinds, whole or broken, empty or filled.

Cotton Yarn of all kinds.

Tinplates.

Baths—all kinds; Water Closets—all kinds.

Gold Bullion and Coin, Silver Bullion and Coin.

Tin Slabs and Ingots.

Cotton Threads of all descriptions.

Peanut Cakes in solid or powdered form.

Basins, toilet and all bathroom accessories.

Peanut oil.

Sweetened Condensed Milk.

Cement.

Preserved Ginger—in casks.

Toilet and Medicated Soap.

Gunny bags.

Rabbit Skins.

All unmanufactured and semi-manufactured Iron and Steel.

Evaporated Milk, Cheese—all kinds, Margarine.

Iron and Steel Scrap.

Milk Powder.

Canned Meats—all kinds, Bacon, Ham.

Philatelic Stamps (to countries other than countries within the Sterling area).

Raw Cotton.

Applications for export of prohibited export commodities should be made to the Department of Supplies & Distribution who, in case an easy supply position in a particular commodity prevails or under other favourable circumstances, will consider the issuance of an export licence.

lery, for which the Department of Commerce & Industry issues the Import Licence direct on application.

(6) Rubber

Rubber, of whatever origin, can only be imported under special licence. Import from French Indo-China and Siam is only allowed on production of a Certificate of Origin and a British Consular Certificate. In every case where rubber imported into the Colony is re-exported to a territory outside the Sterling area, a deposit of 100% of the exchange value will be demanded.

EXPORT CONTROLS

Country of Origin	Country of Destination	Export Licence on Form	Percentage of Proceeds to be Surrendered to Authorised Bank
China, Macao, Hongkong, Korea	U.S.A. & Possessions, Philippine Republic.	Form 2B (Yellow) in duplicate except for RESTRICTED exports when form 2A (green) in triplicate (No. 1.)	Nil when financed in U.S.\$—except for exports on RESTRICTED list—(See Note 1.)
Any country	French Indo-China	Form 2A (green) in triplicate.	FULL PROCEEDS either (a) from a French Sterling account or (b) in H.K.\$ from an account in Hongkong of a Bank in Indo-China.
Any country	Siam	Form 2A (green) in triplicate.	FULL PROCEEDS either (a) from a Siamese Sterling Account or (b) in H.K.\$ from an account in Hongkong of a Bank in Siam.
Any country	Korea, Macao	Form 2B (yellow) in duplicate except for RESTRICTED exports when form 2A (green) in triplicate (No. 1.)	NIL—except RESTRICTED exports (Note 1.) which must be submitted on form 2A (green), to Exchange Controller, for prior approval.
Any country	China, Formosa, & Sterling Area countries.	NIL—except China exports (Note 2) when Form 2B (yellow) in duplicate, and raw rubber & all Petroleum Products to China when Form 2A (green) in triplicate	
Any country	All other countries	Form 2A (green) in triplicate.	FULL PROCEEDS in accordance with Bank of England procedure. This is always acceptable in sterling from an account in the U.K. in the name of a resident in a territory to which the goods are being exported. For other acceptable methods of payment enquire Exchange Controller. Rules for restricted exports apply in cases where finance is arranged in U.S.A.
Japan	Special arrangement with D. S. & D.		

Note 1:—RESTRICTED EXPORTS—Tin, silver, copper, lead, wood (Tung) oil, ginger in casks or jars, and cotton yarn of all counts. Exporters are permitted to use 75% of their f.o.b. value of tin, lead and silver, 80% of copper, 85% of wood-oil, 50% of ginger, and cotton yarn all counts, when the shipment is financed in United States currency.

Note 2:—CHINA EXPORTS—Bristles, wood-oil, cotton yarn, tea, rape-seed oil, tin, wolfram and antimony. The China exports include these commodities whether originating in China or not. Applications must be supported by evidence of origin, i.e., a Chinese Certificate of Origin where articles are produced in China, otherwise such evidence of origin as the Director of Commerce & Industry shall require.

Hongkong Aviation Returns

For the first eight months of 1949

	CIVIL AIRCRAFT		PASSENGERS		MAIL (kilograms)		FREIGHT (kilograms)	
	arrivals	departures	in	out	in	out	in	out
Monthly Averages for 1948	595.33	—	9,591.75	9,381.66	13,726¼	13,649¼	42,920.08	100,985.58
1949								
January	805	799	9,940	11,913	17,315	14,713	41,947	90,791
February	745	741	10,651	10,146	13,750	12,906	43,749	83,829
March	833	836	8,998	11,022	16,490	15,258	46,144	123,988
April	979	967	13,996	14,031	14,031	14,797	68,592	153,036
May	1,476	1,457	21,380	19,193	13,062	13,734	53,123	157,403
June	1,463	1,467	17,062	18,630	15,028	12,536	593,728	227,833
July	1,456	1,440	16,412	17,365	13,311	13,259	397,758	407,866
August	1,597	1,591	21,796	19,225	12,704	18,110	292,991	611,667
First eight months	9,354	9,298	120,235	121,526	115,813	115,313	1,538,032	1,856,413

Total number of aircraft arriving at and leaving from Hongkong during the first eight months of 1949 was 18,652; total number of passengers 241,761; total weight of mail 231,126 kilograms; total weight of freight 3,394½ metric tons.

Hongkong Aviation Report for August

ARRIVALS

DEPARTURES

COUNTRIES	Passengers. Mail. Freight.			COUNTRIES	Passengers. Mail. Freight.		
United Kingdom via Bangkok & Ports	120	3473	5657	United Kingdom via Bangkok & Ports	139	3710	3078
Europe via Bangkok & Ports ..	20	44	6199	Europe via Bangkok & Ports ..	36	122	424
Middle East via Bangkok & Ports ..	—	—	—	Middle East via Bangkok & Ports ..	—	—	—
Calcutta via Bangkok & Ports ..	58	831	1726	Calcutta via Bangkok & Ports ..	75	27	3589
Rangoon via Bangkok & China ..	31	148	117	Rangoon via Bangkok & China ..	55	—	8705
Singapore	139	1642	908	Singapore	153	1041	6545
Bangkok	442	312	6830	Bangkok	494	127	5641
French Indo-China	426	298	1845	French Indo-China	439	286	2290
Macao	193	—	—	Macao	161	—	27
Philippines (Direct)	666	660	17189	Philippines (Direct)	1955	688	4232
Japan via Ports	152	830	12159	Japan via Ports	326	1544	2818
U.S.A. via Manila & Ports	30	1757	5074	U.S.A. via Manila & Ports	459	1075	8969
Australia	7	83	359	Australia	30	35	535
Shanghai	—	—	—	Shanghai	—	—	—
Canton (Direct)	12674	1193	44624	Canton (Direct)	10076	3617	209227
China via China Ports	6822	985	190149	China via China Ports	4681	5779	355027
Honolulu via Manila	16	448	155	Honolulu via Manila	146	59	560
TOTAL	21796	12704	292991	TOTAL	19225	18110	611667

No. of Aircraft: 1597

No. of Aircraft: 1591

Hongkong Airport: Traffic of Regular Users in August 1949

	Arrivals				Departures			
	No. of A/C	Passengers	Mail	Freight	No. of A/C	Passengers	Mail	Freight
B. O. A. C. ..	35	380	6,739	13,445	32	431	5,474	16,471
H. K. A. ..	142	3,199	287	173	143	2,410	3,604	7,719
C. N. A. C. ..	610	6,860	1,636	119,996	616	5,999	1,229	549,063
C. A. T. C. ..	520	9,297	568	120,552	515	6,419	4,192	13,285
P. A. A. ..	48	552	1,965	7,876	50	763	—	1,917
C. P. A. ..	29	146	89	6,725	30	495	958	5,250
P. A. L. ..	24	301	576	12,535	22	916	2,146	3,739
T. A. A. ..	27	81	—	1,031	28	615	12	349
P. O. A. S. ..	9	156	65	2,943	9	139	85	3,312
S. A. F. E. ..	8	27	324	5,976	8	203	—	316
A. F. ..	15	418	265	1,249	14	399	322	5,877
C. A. T. ..	86	125	—	—	81	31	—	—
M. A. T. Co. ..	25	191	—	—	24	168	1	116
Q. E. A. ..	2	11	151	489	2	46	87	535
S. A. C. ..	6	38	39	1	6	76	—	1,248
Canadian Pacific ..	1	12	—	—	2	74	—	70
F. E. F. T. S. ..	6	2	—	—	5	1	—	—
TOTAL ..	1,593	21,796	12,704	292,991	1,587	19,185	18,110	609,267

Hongkong Shipping Returns*For the first eight months of 1949*

	Ocean Steamers Tonnage		River Steamers Tonnage		Ocean Passengers		River Passengers	
	In	Out	In	Out	In	Out	In	Out
Monthly Averages 1948	659,582	651,394	122,834	123,338	23,583	19,547	37,529	39,769
1949								
January	722,280	715,484	141,769	137,319	21,672	15,202	41,523	54,792
February	650,886	727,381	116,360	177,936	19,352	13,168	42,989	51,170
March	750,855	780,820	125,758	124,713	25,632	15,342	48,647	59,529
April	831,249	795,713	173,089	177,153	24,015	19,041	46,260	55,152
May	928,084	852,178	138,907	134,111	33,638	21,046	53,373	48,078
June	835,194	835,626	163,664	165,217	24,274	18,007	46,630	52,986
July	925,466	877,785	156,655	154,071	18,233	71,168	42,075	53,511
August	922,750	890,208	159,917	165,625	32,198	22,043	47,507	59,156
First eight months 1949:—	6,566,764	6,475,194	1,176,119	1,236,145	199,014	195,017	369,004	434,374

Total ocean steamer tonnage for the first eight months of 1949: 13,041,958; total river tonnage: 2,412,264; grand total: 15,454,222.

Total ocean passengers: 394,031; total river passengers: 803,378; grand total: 1,197,409.

Hongkong Commercial Exports & Exports by Civil Aircraft

VALUE OF IMPORTS OF AIR FREIGHT

Countries	Monthly Average 1948		Monthly Average January-June, 1949		June, 1949		July, 1949	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
	Kilos	\$	Kilos	\$	Kilos	\$	Kilos	\$
United Kingdom	882	215,272	1,004	300,128	1,414	408,752	2,542	471,074
Australia	17	709	36	3,461	100	14,830	7	362
Canada	61	46,058	203	165,848	308	206,508	120	51,380
Ceylon	43	19,181	3	1,711	18	2,205	1	1,117
India	1	142	31	17,168	56	39,990	39	39,900
Malaya	152	17,017	22	18,077	40	2,900	58	3,520
New Zealand	32	12,112	—	—	—	—	—	—
South Africa	—	—	1	103,651	—	—	1	31,792
West Africa	1	103,314	—	—	—	—	—	—
West Indies	4	301	—	—	—	—	—	—
British Commonwealth of Nations	—	—	1	40	3	240	—	—
Belgium	—	337	19	101,479	—	—	—	—
Burma	5	57,847	—	—	—	—	140	1,300
Central America	—	—	—	63	—	—	—	—
China, North	7	473	8	4,488	—	—	—	—
" Middle	10	1,524	3	82	5	289	75	2,700
" South	4,024	37,731	98,328	514,414	564,719	2,861,320	123,796	694,950
Cuba	—	—	—	—	—	—	—	—
Czechoslovakia	7	1,069	10	1,381	11	1,752	21	3,660
Egypt	7	266	6	360	16	800	23	1,215
Denmark	16	2,422	2	17	—	—	—	—
France	61	12,388	65	12,286	110	7,476	202	7,980
French Indo-China	8	374	576	11,573	208	55,440	5	63
Germany	136	43,842	401	74,825	5	1,496	246	93,216
Greece	—	—	4	1,541	—	—	—	—
Holland	7	17,695	1	145	—	—	2	528
Italy	12	2,460	20	2,918	—	—	500	19,600
Japan	6	855	49	3,849	219	21,876	334	13,700
Netherlands E. Indies	—	—	3	253	20	1,520	15	1,140
Norway	176	6,341	6	1,632	—	—	—	—
Pakistan	—	—	—	10	6	60	—	—
Philippines	3,965	120,654	892	29,095	34	624	453	6,592
Siam	76	22,521	68	24,665	26	3,276	1,400	42,123
South America	10	1,363	2	457	—	2,740	—	—
Spain	—	—	20	5,209	73	18,423	—	—
Sweden	4	689	37	11,817	150	37,215	120	38,724
Switzerland	2,426	2,157,283	3,851	3,432,715	3,579	2,820,023	3,428	3,104,108
U.S.A.	10,638	2,698,658	6,176	2,646,265	6,650	3,758,655	6,345	3,597,286
All other countries	—	—	—	—	—	—	4	190
Total	22,794	5,601,807	111,849	7,491,623	577,984	10,268,470	139,877	8,228,220
Total British Empire ..	1,193	414,106	1,301	610,084	1,939	675,485	2,768	599,145
Total Foreign	21,601	5,187,701	110,548	6,881,539	576,045	9,592,985	137,109	7,629,075

HONGKONG COMMERCIAL CARGO
for the first eight months of 1949

1949	Ocean Vessels		River Vessels	
	Discharged	Loaded	Discharged	Loaded
January	255,158	107,932	12,445	8,507
February	179,805	76,461	7,059	7,183
March	241,212	104,913	7,785	14,754
April	243,243	110,306	6,747	5,182
May	340,280	133,832	10,874	7,052
June	225,855	138,107	9,934	10,911
July	283,526	140,685	8,338	12,463
August	291,175	129,424	9,948	13,919
First eight months 1949	2,060,254	1,041,660	73,130	79,971

Total ocean cargo for the first eight months of 1949: 3,101,914 tons; total river cargo: 153,101, grand total: 3,255,015 tons.

Monthly averages for 1947 and 1948:

		1947	1948
Ocean cargo, in	187,522	193,416	
" " out	71,047	87,849	
River cargo, in	7,483	9,942	
" " out	7,369	7,450	
Grand total...	273,451	297,762	

VALUE OF EXPORTS OF AIR FREIGHT

Countries	Monthly Average 1948		Monthly Average January-June, 1949		June, 1949		July, 1949	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
	Kilos	\$	Kilos	\$	Kilos	\$	Kilos	\$
United Kingdom	35	4,353	21	30,123	—	—	9	2,135
Australia	25	2,043	52	5,013	36	2,131	115	25,258
Canada	23	4,455	82	7,151	—	—	21	2,688
Ceylon	36	5,607	—	—	—	—	—	—
East Africa	—	42	17	1,367	—	—	—	—
India	1	1,225	187	21,073	108	3,500	10	45,240
Malaya	42	13,990	649	542,128	953	1,357,212	1,490	1,182,173
New Zealand	210	148,071	1	1,034	1	200	—	—
North Borneo	1	75	1	6,481	—	—	—	—
South Africa	1	1,323	70	10,380	16	2,304	95	7,500
West Africa	18	2,780	43	3,979	253	23,754	—	—
West Indies	11	975	8	791	4	230	27	2,288
British Commonwealth of Nations, other	100	6,766	46	5,588	8	1,500	57	7,137
Belgium	39	7,864	8	1,358	27	4,325	7	160
Burma	65	4,271	374	15,509	1,761	75,650	3,103	151,708
Central America	6	561	16	1,722	—	—	66	8,738
China, North	2,566	32,732	5,081	225,055	9,299	1,153,879	75,591	8,138,854
" Middle	1,424	21,111	1,742	59,102	2,676	333,412	1,259	20,861
" South	24,525	323,077	14,119	763,062	41,669	3,719,300	46,290	5,057,787
Cuba	31	5,530	36	4,824	36	4,013	24	794
Czechoslovakia	—	—	—	303	—	—	—	—
Egypt	70	4,925	81	11,900	30	1,424	26	579
Denmark	2	29	—	—	—	—	—	—
France	8	2,216	4	4,023	6	10,298	6	83,600
French Indo-China	362	7,764	470	9,926	908	12,645	446	10,677
Germany	12	92	—	—	—	—	2	400
Greece	—	27	4	13	—	—	—	—
Holland	4	13,982	1	21,880	1	66,597	75	7,500
Iran	—	—	—	—	—	—	21	1,632
Iraq	4	309	—	—	—	—	—	—
Italy	3	148	—	—	—	—	—	—
Japan	50	4,047	374	22,054	722	48,925	323	19,213
Korea (South)	—	14	455	26,130	430	8,243	75	4,380
Norway	3	421	8	833	15	2,205	3	50
Netherlands E. Indies	15	2,505	2	56	10	335	—	—
Pakistan	—	—	122	6,669	62	4,318	37	3,072
Philippines	2,861	23,129	1,621	21,943	2,497	9,112	470	6,578
Portugal	—	—	5	1,413	—	—	—	—
Siam	5,744	296,337	3,668	212,078	2,477	108,327	1,543	79,207
South America	23	3,221	36	7,118	56	12,555	82	7,000
Sweden	—	—	1	10	3	60	—	—
Switzerland	115	19,508	15	4,113	8	2,360	1	572
Syria	10	190	5	478	—	—	—	—
Turkey	13	725	—	—	—	—	—	—
U.S.A.	2,131	279,964	1,186	156,129	1,607	144,446	1,261	549,975
Others	22	1,011	14	69,751	60	5,305	55	2,532
Total	40,611	1,246,960	30,625	2,283,060	65,739	7,118,576	132,590	15,430,288
Total British Empire ..	503	191,705	1,177	635,108	1,379	1,390,831	1,824	1,274,419
Total Foreign	40,108	1,055,255	29,448	1,647,952	64,360	5,727,745	130,766	14,155,869

HONGKONG OCEAN AND RIVER SHIPPING ENTERING AND CLEARING THE PORT OF HONGKONG

Comparisons for the years 1947, 1948 and the first half year of 1949

Flag	Monthly Average, 1947				Monthly Average, 1948				Monthly Average, 1949			
	Entered		Cleared		Entered		Cleared		Entered		Cleared	
	No.	Tons	No.	Tons	No.	Tons	No.	Tons	No.	Tons	No.	Tons
British	210.7	312,231	210.2	313,809	269.5	343,050	269.2	340,494	250	355,647	250	353,418
American	26.2	143,118	26.0	142,989	26.7	134,896	26.2	133,906	29	151,721	28	166,730
Chinese	103.2	56,405	103.0	57,201	108.2	84,587	167.8	83,339	244	141,914	235	127,962
Danish	4.8	19,908	4.9	20,160	8.4	30,778	8.3	29,748	10	34,108	10	32,562
Dutch	10.5	52,079	10.5	52,607	14.8	74,069	14.8	73,224	17	76,236	18	78,532
French	1.4	6,725	1.7	6,791	2.2	7,319	2.2	7,338	2	9,192	3	9,302
Norwegian	16.8	34,565	16.5	34,849	23.5	54,766	23.4	54,434	30	73,949	30	73,082
Panamanian	7.5	17,454	6.8	15,938	6.2	19,370	6.4	19,462	13	38,780	11	36,074
Philippine	4.5	9,095	4.2	8,906	3.9	3,607	3.8	3,576	7	13,676	7	13,534
Portuguese	1.3	838	1.3	838	5.9	11,829	5.9	11,840	10	3,968	10	4,026
Swedish	3.4	9,813	3.2	9,505	1.6	4,262	1.6	3,881	6	17,453	7	18,443
U.S.S.R.	1.3	4,817	1.3	4,894	3.5	9,661	3.6	9,714	3	3,756	3	4,090
Other .....	.04	880	.05	937	1.1	4,222	.9	3,846	3	9,283	3	9,700
Total	391.64	667,988	389.65	669,424	535.5	782,416	534.1	774,732	624	929,683	615	927,275

Hongkong Shipping Report for August, 1949

Ocean Steamers

Arrivals

Departures

Flag	Ocean Steamers				Ocean Steamers			
	No.	Tonnage	Cargo	Passen- gers	No.	Tonnage	Cargo	Passen- gers
British	130	370,619	149,051	18,542	123	346,184	53,639	8,935
American ..	32	166,994	30,420	629	30	157,810	6,528	1,025
Burmese ..	—	—	—	—	—	—	—	—
Chinese	98	121,576	32,573	4,386	89	117,892	27,776½	4,355
Danish	17	55,149	10,244	180	22	82,805	8,101	772
Dutch	15	70,233	7,875	4,360	11	47,020	4,527	3,516
Finnish	—	—	—	—	—	—	—	—
French	3	6,167	63	14	3	5,001	950	26
Greek	1	2,932	—	—	1	2,932	—	—
Hondurian ..	—	—	—	—	1	1,863	3,000	—
Italian	—	—	—	—	—	—	—	—
Norwegian ..	30	63,122	23,526	3,798	29	60,182	12,346	3,373
Panamanian ..	11	31,349	16,540	22	18	36,630	8,546	17
Philippine ..	3	5,246	537	1	3	4,307	40½	1
Portuguese ..	4	2,096	772	260	3	2,005	1,235	12
Swedish	9	22,591	11,449	6	9	22,591	2,221	9
U.S.S.R.	3	4,676	8,125	—	3	2,986	460	2
Total Foreign	226	552,131	142,124	13,656	222	544,024	75,731	13,108
Total	356	922,750	291,175	32,198	345	890,208	129,424	220,043

River Steamers

Arrivals

Departures

Flag	River Steamers				River Steamers			
	No.	Tonnage	Cargo	Passen- gers	No.	Tonnage	Cargo	Passen- gers
British	137	78,178	4,725	25,345	141	81,085	7,663	29,195
Chinese	231	79,448	4,126	22,119	234	82,049	5,611	29,841
Portuguese ..	10	2,291	1,097	43	11	2,491	645	120
Total Foreign	241	81,739	5,223	22,162	245	84,540	6,256	29,961
Total	378	159,917	9,948	47,507	386	165,625	13,919	59,156

Economic Reports from China

SHANGHAI.

Foreign Trade.—A total of 98 import licenses have been issued by the end of August, with cotton, rubber and newspaper being the main items licensed. None of the licenses were received by foreign firms. Although regulations have been announced exempting certain items from import duty, even duty-exempted goods still require an import license. Except for packing, the export of gunny bags has been prohibited. A booming trade is being carried on between Hongkong and Tientsin. Sizeable quantities of pharmaceuticals are being traded for furs, skins, tung oil and bristles.

Customs.—The Shanghai Maritime Customs has been placed under the East China Foreign Trade Control Bureau.

Transportation.—Rail service has been resumed between Shanghai and Nanchang. The Military Control Commission Navigation Bureau is now making loans to shipping companies for the salvage of sunken ships, and advancing up to 40 percent of the total salvage expenses. After the raised ships have been repaired they are expected to "co-operate" with the Naval Bureau.

Telecommunications.—Regular phone service has been resumed between Shanghai and Foochow, and radio-telephone service between Shanghai and Prague, Czechoslovakia has been inaugurated.

Retail Trade.—Business has continued to improve in local department stores since they switched to French luxury goods. Daily turnover has been reported as PB\$17,000,000 for Wing On, 16,000,000 for the Sun Co., 10,000,000 for the Sun Sun Co., and 9,000,000 for the Sincere Co.

Industry.—In an effort to supply China's mills, plans are underway for the systematic collection of cotton by state-controlled organisations.

Taxation.—A new income tax on salaries and wages is soon to be announced. It is reported that the authorities plan to begin collection of an inheritance tax in the near future.

Finance.—On the 24th August, the banks' daily loan interest rate was reduced to 1.2 percent and interest on inter-bank loans to 1.0 percent, but funds were available on the black market at 0.5 per cent. The Pound Sterling exchange rate was raised to PB\$5,850 and the Hongkong dollar rate to PB\$365 on the 25th. On the 26th, the Rupee exchange rate was increased to PB\$445, the Straits dollar rate to 695, and the Australian Pound to 4,750. All others remained the same, the U.S. dollar rate remaining at PB\$2,250. Although the demand for U.S. currency for North China was good, there was no rise in the black-market price. The Bank of China is now permitting US\$100 or its equivalent to be converted in over-the-counter transactions.

The sudden drop in the black-market gold rate to PB\$137,000 on the 23rd August is believed to have been caused

HONGKONG JUNKS & LAUNCHES IN AUGUST

Foreign Trade Conducted by Junks & Launches of 60 Registered Tons & under.
JUNKS

No. of Vessels		Reg. Tonnage of Vessels		Dead Weight Tonnage of Cargo		No. of Passengers	
Inward	Outward	Inward	Outward	Inward	Outward	Inward	Outward
947	958	114,239	118,267	27,653	17,813	2,984	5,349
Steam & Motor Launches of 60 Nett Registered Tons & under.							
181	183	8,201	4,584	1,815	—	—	9

Local Trade Conducted by Junks & Launches of 60 Registered Tons & under.
JUNKS

No. of Vessels		Reg. Tonnage of Vessels		Dead Weight Tonnage of Cargo		No. of Passengers	
Inward	Outward	Inward	Outward	Inward	Outward	Inward	Outward
608	639	19,844	23,455	7,452	7,670	—	—
Steam & Motor Launches of 60 Nett Registered Tons & under.							
175	171	5,586	5,548	62	136	14,059	14,080

Hongkong Railway Traffic

Passengers and Freight transported on the Kowloon-Canton Railway British section for the first half year of 1949

	Monthly Average 1947	Monthly Average 1948	January, 1949	February, 1949	March, 1949	April 1949	May 1949	June 1949
Passengers: Local	Nos.	Nos.	Nos.	Nos.	Nos.	Nos.	Nos.	Nos.
Upward	39,281	52,803	77,960	84,247	119,688	125,430	123,636	128,869
Downward	32,139	50,257	71,656	82,722	95,898	94,478	94,025	113,704
Passengers: Foreign								
Upward	84,841	107,098	102,981	83,414	90,076	116,625	78,443	60,323
Downward	73,545	96,811	81,112	106,466	91,480	108,546	77,033	54,579
Goods: Local	Kgs.	Kgs.	Kgs.	Kgs.	Kgs.	Kgs.	Kgs.	Kgs.
Upward	86,840	71,807	303,030	104,920	220,240	403,140	470,100	551,771
Downward	281,832	148,850	223,140	240,550	408,940	265,220	1,647,760	908,710
Goods: Foreign								
Upward	10,295,666	4,648,692	1,886,850	1,875,400	2,335,510	1,320,430	1,134,100	235,690
Downward	351,000	2,591,672	520,000	436,710	636,850	423,950	358,959	417,570
Revenue: Passengers	H.K.\$	H.K.\$	H.K.\$	H.K.\$	H.K.\$	H.K.\$	H.K.\$	H.K.\$
Local	65,982.58	89,392.19	130,128.40	133,630.40	177,214.10	179,239.40	191,896.65	186,156.35
Foreign	328,458.98	407,840.84	361,057.42	373,693.22	360,927.15	479,714.78	328,783.65	237,344.02
Goods								
Local	3,592.30	1,907.96	4,339.45	3,486.05	5,624.05	5,377.95	18,769.90	11,739.30
Foreign	64,250.97	25,270.16	10,311.49	9,205.03	12,884.22	8,221.57	7,805.76	5,077.71
Miscellaneous Receipts	61,539.21	53,314.14	59,191.98	48,660.74	73,450.66	50,208.27	50,966.47	51,311.02

by traders selling gold for currencies in Tientsin where black-market rates are higher than they are in Shanghai.

As of the 25th August, the Bank of China began accepting term deposits from the public. PB\$800,000,000 was collected on the first day. A 15 percent monthly interest rate is being paid on ten-day deposits with still higher rates for twenty and thirty-day deposits. The Bank is obviously attempting to absorb money left idle by the bogged-down commodity market. An inward movement of PB\$4,300,000,000 in domestic remittances was recorded during July as opposed to an outward movement of 3,100,000,000. Totals for the first half of August amounted to PB\$6,600,000,000 inward and 3,300,000,000 outward. This sharp upturn was probably caused by the increased trade resulting from the reopening of communication lines. The Bank of China announced discounts of 20-24 percent in remittance rates to special groups such as public enterprises, workers groups, good China Bank customers, et cetera.

TAIPEH, TAIWAN.

Foreign Trade.—Two hundred tons of aluminium ingots were exported to Italy. Six thousand tons of Japanese cement was imported during the last August week and an order was placed by the Taiwan Bicycle Dealers Guild for 1,000 Japanese bicycles and parts.

Industry.—Serious trouble has arisen as a result of sugar farmers' refusal to plant cane because of the low price of sugar. Only 2,000 hectares have been planted to date as compared with 80,000 this time last year. A National Resources Commission spokesman said that the production of petroleum products, sugar and soda will be cut back owing to the limited foreign market and high production costs. The China Textile Corporation has purchased 5,000 spinning and weaving machines in Japan to be delivered in the near future.

PEIPING.

Domestic Commerce.—The Suiyuan Trading Co. is reported to have shipped 70 tons of wool, 120 tons of linseed and 5,300 cattie of bristles to Tientsin during July. A large traffic in eggs is going on in Liaohsi.

Finance.—The official rate for U.S. dollar drafts and checks remained at PB\$2,700 but the official U.S. note rate dropped to 2,400 on the 24th August. The Peiping Municipal Financial Economic Committee has decided to set up a production sub-committee to raise quality, lower costs, open markets, and plan production. They plan to establish a Trade Control Committee to control prices. The first step will be the formation of grain and cloth yarn exchanges.

Industry.—The Chingho woollen mill has introduced the piece-work system which has stepped up production in the cotton-weaving section considerably. Two-thirds of a recent large shipment to a trading company was rejected, however, indicating that quality has not been improved. A copper sulphate plant in the Northeast resumed operations. Total production is supposedly to be used for agricultural purposes.

CANTON

The Foreign-Exchange-Clearance-Certificate System, which had been re-introduced in late November 1948 has been terminated by the Chinese Nationalist Government. Under revised Export-Import Control Regulations promulgated by the Chinese Executive Yuan on May 18, 1949, a new system has been instituted whereby Exchange-Deposit Certificates are issued to exporters as receipts for foreign exchange deposited with the Central Bank of China and which, furthermore, serve as import licenses. Under this new system, exporters are required to surrender their foreign-exchange proceeds realized on shipments abroad; they are to receive in return Exchange-Deposit Certificates issued by the Central Bank of China, representing 80 percent of the shipment's value. Such certificates are transferable and may be sold on the open market. The Exchange-Deposit Certificates are also an authorisation to import; that is, they serve as an import license. In such cases they are valid for the importation of commodities for a period of 90 days from date of issuance. (All import licenses previously issued are valid, provided the licenses have not expired and the relative foreign exchange is to be supplied from sources other than the Central Bank of China.) All Exchange Clearance Certificates previously issued were recalled by the Central Bank of China with payment made therefor in gold yuan notes, gold, silver, or foreign exchange, at the bank's option.

Silver Currency Regulations.—The Chinese Nationalist Government promulgated new currency regulations restoring the silver standard, effective

July 2, 1949. The unit of currency under these regulations is the silver dollar or yuan. Its gross weight is fixed at 26.6971 grams of silver of 88 percent fineness or 23.493448 grams of pure silver. Provision is made for the issuance of subsidiary silver coins in denominations of 1, 5, 10, 20, and 50 cents. In addition, for the convenience of circulation, the Central Bank of China is authorised to issue silver-yuan certificates in denominations of 1, 5, 10, 50, and 100 dollars, together with subsidiary certificates of 5, 10, 20, and 50 cents. These certificates are to be backed by a 100-percent reserve consisting of at least 60 percent in silver coins, gold, and foreign exchange, and not more than 40 percent is to be represented by goods, negotiable securities and warehouse receipts.

Silver-yuan certificates are freely redeemable on demand, and in the event that the supply of coins is inadequate, redemption may be effected in gold at rates to be announced by the Central Bank of China. Under these measures all transactions, including payment of taxes and public utility rates, are to be made in silver yuan certificates.

With the approval of the Chinese Ministry of Finance, provincial banks also may issue silver-yuan certificates and subsidiary notes.

Exchange rates quoted for the new silver yuan and certificates are to be based on the international prices of silver.

Monthly reports as to the amount of currency issued and reserve conditions are to be made by the Supervisory Board of the Central Bank of China and by the Chinese Control Yuan. However, so far only unofficial information was available.

Shanghai Labour Regulations

The following labour regulations have been announced by the authorities in Shanghai:—

(1) PROVISIONAL MEASURES REGARDING SETTLEMENT OF LABOUR DISPUTES OF PRIVATE ENTERPRISES

1. These measures have been drawn up with a view to securing legitimate settlements of disputes between employees and employers in order to realize the objectives of mutual benefit and development of production. 2. The Municipal Labour Bureau is the organ formed for the mediation and settlement of labour disputes. All disputes between employees and employers should first be attempted to be settled by negotiation between themselves. Where this has failed, either party may apply to the Bureau for settlement either by mediation or arbitration. 3. Disputes between employees and employers shall be settled in conformity with the following procedures: A. When disputes arise between employees and employers in various business establishments and factories, the parties should first negotiate between themselves with a view to reaching a legitimate settlement. The procedure shall be that direct negotiation for settlement should be carried on between the labour union re-

presenting the workers and staff (hereafter termed employees) and the employers or their manager. B. If direct negotiations prove unsuccessful, both parties or either may apply to the Bureau for settlement. If settlement by mediation then proves unsuccessful, the dispute may be settled according to law by arbitration. C. If both parties or either is not satisfied with settlement by arbitration through the Bureau, the case may be brought up in conformity with judicial procedure to the People's Court of Shanghai for decision.

4. Demands to be presented to employers by employees of various business establishments or factories should first be presented to the Shanghai General Labour Union (SGLU) by the specific labour union concerned, or by a preparatory committee where a labour union does not yet exist, or by representatives of the entire body of employees for consideration. When necessary, the SGLU will send representatives along with representatives of the employees to negotiate with the employers or with legitimate bodies organized by the latter. When agreement has been concluded, it should be observed by both parties. If conciliation fails, either party may apply to the SGLU for mediation or settlement by arbitration. 5. The method of direct

negotiations between employees and employers in settling their disputes should be guided by the nature and scope of their dispute. Where the dispute concerns but one factory, the employees and employers shall as one unit both appoint representatives to proceed with negotiations. Where the dispute concerns a whole industry or trade, such industry or trade shall be regarded as one unit, and meetings shall be called by legitimate bodies of employees and employers separately to elect members of equal numbers to negotiate for settlement. Each side shall appoint at least three and no more than ten delegates. Agreements concluded as a result of consultations between employees and employers should be sent to the Labour Bureau for recording. Agreements reached as a result of duress by either will not be considered valid.

6. Labour Bureau procedures to be followed in settling disputes are as follows: A. Where both employees and employers request a settlement by the Labour Bureau, an application must be filed stating the type of business, name of factory, number of persons involved in the dispute, points of dispute, description of negotiations on dispute, names and addresses of representatives. B. The Bureau after study of the application is to notify the employees and employers to send representatives to the Bureau for settlement. C. If conciliation is unsuccessful, the Labour Bureau will settle the matter by arbitration according to law. After an arbitration decision has been made, the chairman of the arbitration committee shall sign the document, forward to the director of the Labour Bureau for approval, after which the document will be sent to the disputing parties for execution. If either party is not satisfied with the decision, it will notify the Labour Bureau within 5 days after receipt of the arbitration decision, and file suit in court. Otherwise the arbitration decision thus made shall have legal effect. D. Between the time that the dispute arises and the time settlement is achieved by mediation or arbitration, the parties shall maintain the status quo. Employers shall not close down their factories, stop financing, reduce employees or commit other acts tending to impair the position of the employees. Meanwhile employees shall not strike, or engage in other activities tending to obstruct production or to produce deterioration in labour discipline. Even after an arbitration decision has been made by the Bureau, if one party wishes to appeal by filing suit in court, both parties are required to observe the arbitration decision pending the court's decision.

7. The chairmanship of the arbitration committee shall be assumed by the director or deputy director of the Labour Bureau or a representative appointed thereby. An arbitration committee shall be composed of one representative each from the Shanghai Municipal Bureau of Industry and Commerce, the SGLU, and a legitimate body organized by industrialists and merchants of this Municipality. Detailed rules governing the organization of an arbitration committee shall be

separately drafted by the Bureau. 8. Employers experiencing extreme difficulties in meeting the requisites for production, finding it necessary to change their occupation or reduce production, shall report to the Bureau of Industry and Commerce of the Shanghai Municipal Government for sanction to so act. Such approval is a prerequisite to the legitimate right to discharge employees. Where the SGLU considers the dismissal of employees in specific instances to be inappropriate, it has the right to make suggestions to the employers, and where the latter refuses to accept such suggestion, the SGLU may bring the matter before the Bureau requesting mediation or arbitration. 9. These regulations are to be effective as of the date of promulgation. (August 19, 1949). 10. The right of interpretation and revision of these regulations rests with the Shanghai Military Control Commission during the period of military control, thereafter with the People's Municipal Government.

(2) PROVISIONAL REGULATIONS GOVERNING THE DISPOSITION OF DISPUTE ARISING OUT OF THE RESUMPTION OF BUSINESS OR WORK

1. These measures have been drafted with a view to settling labour disputes in the Shanghai municipality arising out of the resumption of business or work, and are designed to facilitate the recovery and development of production. 2. Factories or shops which have resumed work or business shall, on the basis of the principle of mutual benefit to the workers and employers, jointly conquer their difficulties, taking the practical conditions of the factories concerned into account, and endeavour to better the relations of the workers and the employers, and to improve the workers' discipline. 3. Where there is no resumption of work or business, or where such resumption is only partial, the employers shall on no account have delayed resumption on some mere pretext. In the presence of truly unconquerable difficulties barring the resumption of work or business, or requiring the suspension of such activity or a change of business, an application shall be made to the competent authority of the municipal government for approval.

4. Where a factory or shop within four months prior to the takeover of Shanghai had ceased, suspended, or partially suspended business, and has already disbanded the staff and workers or part of them, the employers shall re-employ the staff and workers disbanded within the period cited. Employees who fail to appear and demand re-employment shall be notified of the re-employment insofar as is possible. If staff and workers, however, do not report and attend to their duties regularly within ten days after direct notice or press advertisement, the employers may engage new staff and workers. Where for certain reasons the factory or shop is only able partially to resume operations, the employers, in accordance with the particular situation, may give notice to part of the disbanded

staff and workers to resume duties. Other staff and workers not re-employed at this time shall be re-employed as soon as possible as production gradually recovers. In the meantime no new staff and workers on the same technical level as these laid-off employees may be engaged.

5. Staff and workers may not demand re-employment where the following conditions prevail: A. Employees discharged due to their own fault or for technically unsatisfactory services. Where it is believed that a discharge has not been for the above reasons, but rather on the ground of some pretext of the employer, an application for investigation and settlement may be sent to the SGLU. B. Employees who have left their jobs for more than two months because of the war. These may register with the appropriate labour union, pending a call for new employees, at which time they shall have a priority for re-employment. C. Employees who went through formal discharge steps before liberation or accepted separation allowances. These may also register with the appropriate labour union for re-employment, and when there is a call for new employees, shall be re-employed on the same technical level and in reverse order of their departure; the last shall be first, etc. Where employees with the same separation date are competing for re-employment, lots will be drawn. D. Employees who have found work elsewhere.

6. Those workers who cannot be immediately re-employed may register with the committee for unemployment or with the various union committees, but they shall not form groups and intrude into the factory, nor remain in the factory, nor try to compel the factory to re-employ them, actions which would constitute a hindrance to production.

7. Discharge and re-employment of temporary, contract, or seasonal workers shall be governed by agreement entered into at the time of employment. In case of dispute, either party may refer the matter to the Labour Bureau for mediation. 8. Employers shall have the right to engage or lay off staff and workers according to the necessity of production and work. Discharges for political activity, for labour union activity, or for personal reasons are not allowed. Contract provisions regarding discharges shall be adhered to. In the absence of a contract, the employers shall give the employee to be discharged one month's notice and a separation allowance, in an amount determined by length of service, limited, however, to no less than one month's actual pay and no more than three month's actual pay. Such notice and separation allowance are not required where a worker is discharged for his own fault.

9. The above regulations are to be effective as of the date of promulgation. (August 19, 1949). 10. The right of interpretation and revision of these regulations rests with the Shanghai Military Control Commission during the period of military control, thereafter with the People's Municipal Government.

Economic Developments in Japan

(From a Correspondent)

Japan's Bond Obligations

One of the petty annoyances engendered by too great a degree of inflation is the physical difficulty of carrying around a suitcase of money. The highest note value in Japan today is 100 yen, but in view of the inconvenience caused through using notes of such small denominations the Japanese Government has now agreed to a 1000 yen note issue which will better meet the case, especially as confidence is expressed that inflation will not become worse.

Japan's financial position is still far from sound, and there is apparently no expectation of the Government even contemplating the redemption of its foreign debts or the payment of interest on those debts which have accrued during the years since the outbreak of war. Japan's foreign exchange accounts are directly controlled from the U.S. Headquarters with the U.S. Congress in the background and proofs are demanded that Japan has not money to buy essential food and raw materials before aid appropriations are allowed from the U.S.A. It is not likely therefore, that money should be set aside for the redemption of foreign loans, although Premier Shigeru Yoshida voiced the hope that in the next year's budget a fund for the repayment of these debts would be included.

Japan's outstanding foreign currency bond obligations total about US\$300 million and interest in arrears on these bonds amounts to around \$125 million, due chiefly to British and American bondholders. Outstanding sterling bonds are placed at an issue value of £61,144,253 of which £3 million are corporation bonds, £5,500,000 in municipal bonds and £51,500,000 in national government bonds. Of the outstanding dollar bonds totalling \$67,592,000 about \$39 million are in corporation bonds, \$6,300,000 in municipal bonds and \$21,400,000 in national government bonds.

Overseas Missions

There is a growing insistence and greater pressure is being exerted to allow Japan the right to re-establish consular offices or permanent trade centres abroad, and it is obvious that if Japan's foreign trade is to be encouraged offices of this nature are essential. Japanese traders are convinced, and with a good basis of truth, that once they are able to make contacts with other countries their goods will find a ready market. This is borne out by the recent successful trade mission to South and Central America resulting in contracts covering exports from Japan of US\$83 million and some US\$74 million of imports into Japan. Argentine's anticipated portion of the total amounts to approximately US\$25 million, covering rolling-stock and textile products. The agreement with Brazil, amounting to US\$20 million, consists for the major part of machinery of all types including mining, spinning and

agricultural machinery. Machinery was also a major part in the agreement with Peru, Uruguay and Mexico as well as cotton yarn, textile products and general merchandise. The agreement with Venezuela was placed on rather a different basis as a strict control over imports is maintained by the Venezuelan Government. Japan however anticipated exporting cotton yarn and artificial silk thread against oil.

Trade missions are also visiting India and Pakistan as well as continental Europe. Trade talks are likewise being conducted for a 1949/50 agreement between Japan and the sterling area and is expected to provide at least \$350 million of a balanced trade. A balanced trade agreement is particularly essential, as the sterling area is not in a position to offset any deficit in hard currency.

There is also the burning question as to whether Japan should trade with China. It is obvious that the American authorities are averse to any approach in this direction but the feeling is undoubtedly growing in Japan that contact with China is necessary, and in fact some go so far as to say that should this rapprochement not be made Japan must inevitably face a major economic crisis within a year. Meanwhile SCAP has definitely approved a system of barter trade with North China involving some thousand tons of peanuts in exchange for Japanese automobile parts, spinning machines and looms.

Motor Vehicle Industry

The Japanese motor vehicle industry is showing satisfactory progress. During 1948 some 20,000 vehicles including 127 buses were produced. The latter is a recent addition to the motor vehicle industry, as in 1937 no buses were produced at all and only approximately 11,000 trucks. It is hoped that in a comparatively short period, Japan will be in a position to include vehicles in increasing quantities in her export trade.

Trade Balance

Although Japan's export trade during the period from January to June this year increased by 5.6 times over the corresponding period last year, foreign trade shows an unfavourable balance of \$31 million for the same period. In other words imports for the first six months of this year amounted to \$271 million while exports reached \$241 million. Both imports and exports increased during the six months, textile products topping the list of exports while foodstuffs took 34 per cent of the total imports.

During the whole of 1948, Japan's international trade showed an excess of imports over exports of US\$424 million the figures being \$258 million for exports and \$682 million for imports. It is interesting to note these figures against those of 1947 when exports totalled \$173 million as against \$526 million for imports.

Japan's Trading Position

As the interval since the end of the war lengthens, the question of relaxing restrictions in Japan's political and industrial life, grows in urgency. It is true that peace talks, which would automatically end all restrictions, are not yet formulated, but the day is approaching when this momentous subject will have to be tabled for discussion. There are many points for and against an early settlement of this all important question, but in the meantime preparations are being made towards this and by the American administration rescinding many of the original regulations limiting Japan's trading facilities abroad.

General Douglas MacArthur is definitely embarked on a policy to place the country as quickly as possible on a sound commercial and political basis, not antagonist to democratic principles. Working with this object in view, it is hoped that when the Occupation Forces do eventually leave the country Japan will be in a position to carry on along the same democratic lines that have been pursued since the war. Whether the people have fully absorbed a doctrine so foreign to many of their pre-war traditions and conceptions of life, social as well as economic is yet to be seen. One thing is however, clear, Japan is not likely to go back to the feudal system that obtained in the old days. It is also very doubtful whether the nation as a whole would accept voluntarily absorption into the communist orbit.

Japanese efforts are concentrated on regaining at least something of their former position in world trade, and it is on this point that any restrictions however desirable are irksome. Industrialists and financiers, as well as the man in the street, feel that with the lifting of prohibitions and restrictions there is nothing that can prevent Japan from attaining or even eventually exceeding the position her militarists deprived her of in their dream of domination and splendour. All that, however, is in the far off future, but it is to the credit of the Japanese people that they are so eager to start from the groundwork once against and to rebuild what they lost.

One of Japan's greatest problems is the supplying of the necessary food requirements of her people. This increasingly difficult problem is magnified by the loss of the Japanese empire, especially Taiwan which was one of the main sources of her rice supplies. Japan must now look elsewhere and although Siam has hitherto been able to fill to a certain degree the gap the position is a weak one from Japan's point of view. She is therefore, looking to China whom she considers as her legitimate partner or, at one time, the legitimate supplier of her needs and it is interesting to learn that while the U.S.A. is fundamentally opposed to the communist way of life, General MacArthur is prepared to drop all preventive measures against a barter trade with North China. This

Japanese Economic Reports

Deconcentration of big Enterprises in Japan

Excessive concentration of industrial and financial power in the hands of a relatively few men in Japan has been the object of attack by SCAP and the Japanese Government, and now, due mainly to the efforts of the six-men civilian Deconcentration Review Board, the final touches to the deconcentration scheme are being applied. The successful accomplishment of dismantling Japanese giant business was announced recently by General MacArthur's headquarters, adding that the Board headed by Joseph Robinson of the Robinson Connector Company, will soon be dissolved. The job took more than three months since they were recruited in May, 1948.

Like inflation, labor unrest, and reparations problems, etc. which are directly responsible for retarding economic recovery, the lack of final decision upon how to split up big business and remove excessive concentration of wealth, was causing unnecessary anxieties in business circles. The announcement, therefore, put an end to such anxieties. Prior to the formation of the Board, Japan had ventured a step forward into the democratization of her economy. Based on instructions received from SCAP, various anti-Zaibatsu laws had been enforced with a view to destroying their monopolistic power. They had aimed to dissolve Zaibatsu companies in order to make room for fair competition for the benefit of the general public. At the time some people feared that efficiency of production might be injured by dividing big concerns into smaller new entities. It was also asserted on the other hand that free competition would even-

tually go a long way toward rationalizing management, curtail cost of production, stimulate an initiative spirit, etc. The result was, however, that the anti-monopoly program was accomplished without adverse effect on or 'fragmentation' of finance and industry, on the contrary a 50 per cent. increase was registered in Japanese production and considerable progress toward stabilization.

The Deconcentration Review Board eventually investigated 57 big business concerns of which 11 were split up structurally and 8 others were earmarked for partial reorganization, the remainder being removed from the designated list.

Establishment of Overseas Agencies

Since last May the Japanese Government has been asking for SCAP permission for the establishment of overseas trade agencies in order to pull through the trouble of blindfolded trade with other countries. An official approval was given on August 3, according to which Japanese traders were thereafter allowed to freely establish their agencies outside Japan. Prior to this step, SCAP also approved the Japanese Government assigning to exporters a part of its rights to purchase foreign currency as an incentive for promoting exports. This permission will enable them to afford to pay agents' fees in case of establishment of such agencies. There is every hope that the late approval will, therefore, contribute much to expedite Japan's exports. The late permission applies to traders only, and other business firms such as trading companies, banking organs, insurance and shipping companies are not included in it.

Exports at US\$40,000,000 Level in June

An all-out effort of Japan to pull through the current export depression in May brought back the monthly volume to the \$40,000,000 level in June.

SCAP opinion previously was that the decrease in Japan's exports amounting to 45 per cent. in May was no more than a temporary setback following the establishment of the single rate of exchange.

Japan's exports during the first six months of this year amounted to US\$ 300 million which was more than a two-fold increase over the exports in the corresponding period of last year. The Japanese Government is looking forward to promote exports to \$600 million yearly, while SCAP is taking a more conservative estimate totaling around US\$500 million. These prospective figures are more than twice the total exports in the previous year. Exports from Japan increased rapidly in January reaching US\$111 million, largely due to an increase in the shipment of textiles, which decreased to \$24 million in February, later averaging \$40 million monthly except for May.

Japan's steps for promotion of exports have been forged after the "export or starve" drive practised in the United Kingdom. Following the British ex-

ample, Japan is aiming at increasing the export of textiles, machinery, and other finished goods to \$1,000 million by the end of 1952. The year 1952 was tentatively set forth, presuming that U.S. aid to Japan ends in the same year. SCAP is holding the opinion that that amount of exports will enable Japan to import adequate foodstuffs and raw materials in 1952, provided that the nation is allowed a considerable reconstitution of the merchant marine and that some effective checks are devised for her expanding population.

Deflation in Japan

Deflation is in progress, and its tempo is being accelerated by the adoption of the "austerity" budget. Hardest hit are the branches of industry closely affiliated with governmental demands, such as rolling-stock, communications equipment, electric cable and civil engineering. Orders received by rolling-stock manufacturers throughout the country for execution during the 1949-50 fiscal year were only 43 per cent of those during the preceding fiscal year. Considering the price advance during the past year, the actual value of such orders was only about one-third. Even on the basis of the most optimistic calculation in liberal expectation of export increase, production in wired communications equipment and cables this year would drop to 80 per cent of what it was last year. Civil engineering, too, would have a hard year to pass, even considering the smooth progress of civilian construction operations.

Moreover, the suspension of R.F.B. functions would affect smooth operation in key industries, particularly coal. The consequent sharp drop in equipment funds would cripple various modernization and mechanization programs at collieries, thus thwarting operators from cutting costs. Industries closely affiliated with coal, thus, would be equally affected, especially coal mining machinery. Still worse, coal stock-piles have sharply increased lately due to the dwindling of effective demands. The imminent abolition of the Coal Distribution Corporation would further accentuate the already acute monetary stringency in coal circles. Strengthening of the merit system has threatened the position of smaller collieries. Thus, depression in the Northern Kyusyu district, which depends largely on coal and affiliated industries, has become semi-chronic.

The exit of the Reconstruction Finance Banks has also affected power and iron. The unreasonably low level of power charges is the major damper for the power industry, while the drastic cut in Government subsidies under the "austerity" budget has become the cardinal headache for iron and steel. Copper, too, is on the verge of bankruptcy due to the abolition of subsidies, and its business is further threatened by dwindling cabling contracts, as is the case with aluminium. Soda, aluminium and synthetic fibres are also struggling under the weight of swelling stockpiles due to the depression of basic or export industries.

barter trade has started some time ago and is now being followed up by a heavy order for peanuts in return for motor vehicles and it will undoubtedly be followed by further transactions.

Another important question in so far as Japan is concerned is that of shipping. Hitherto the great bulk of exports were carried in foreign vessels, although Japanese shipyards are functioning as a result of orders from abroad for the construction of a number of smaller vessels including some 300 wooden ships for the USSR, little has been done to augment the home merchant fleet. This lack is resented by shipbuilding firms who attribute the slowness of recovery in the shipbuilding industry not so much to the lack of raw materials, as to a deliberate policy on the part of the American authorities. Needless to say a merchant navy would benefit Japan, but although this is being slowly added experts estimate that it must take at least twenty years before a merchant fleet of four million tons which Japan requires, can be built.

The deflationary march has further been intensified by the stagnation of export industries. Raw silk sustained a heavy blow by the establishment of the Y360 rate. Domestic stockpiles have markedly increased from dwindling consumption on the U.S. market while the consumption tax is acting against smooth sales in the domestic market. Rationalization through the adoption of automatic reeling machines may improve the situation, but financial restrictions stand in the way.

Synthetic fibres, too, have been weakening, as orders from India, their major market, have been dwarfed. Prospects of cotton goods, so far faring well, are not necessarily optimistic due to tightened import restrictions in the sterling bloc markets.

Trade with Belgium

SCAP recently announced that on July 9, 1949, trade and financial arrangements were signed between SCAP (on behalf of Occupied Japan) and the Belgian Monetary Area (including Belgium, the Grand Duchy of Luxembourg, the Belgian Congo, and the Trusteeship Territories of Ruanda-Urundi) covering the period June 1, 1949, to May 31, 1950.

The trade plan provides that all trade, both government and private, shall be conducted in accordance with the financial arrangement which stipulates that all payments are to be made in United States dollars through normal banking channels. It is indicated that trade between Occupied Japan and the Belgian Monetary Area will not be restricted to the actual balance of payments made through the dollar accounts established by the financial arrangement, but will be permitted to proceed beyond such amounts, subject only to the limitations at the time of the availability of dollars to effect payment.

On the basis of Japan's requirements and the Belgian Monetary Area's availabilities it may be expected that the Belgian Monetary Area will be able to supply Japan with raw cotton, oil and oil-bearing materials, shellac, hides, and some miscellaneous commodities in return for Japanese manufactured goods.

This trade and financial arrangement is another in a series which have been finalized during this year, which, together with those concluded in 1948, are aimed at increasing the availability of raw materials and foodstuffs for Japan and expanding Japan's market for industrial products.

Export of Samples and Goods Under \$500

SCAP recently announced a simplified procedure for export of samples and export of goods valued at less than US\$500.

Under this new procedure, exports for which the approval of the Japanese Ministry of International Trade and Industry and SCAP is not required, the buyer and seller may negotiate a contract on a new contract form number JX 17. (Although it is not specifically indicated under what conditions approval is not required, it is presumed that it is, in general, applicable to ex-

Import Regulations of Singapore & Malaya

As a result of the current intensification of the sterling area dollar problem, the Governments of Malaya and Singapore have revised their import control schedule, according special treatment to imports from the United States, the Philippines, Japan, Canada, and other dollar areas in the Western Hemisphere.

Part A represents the import control schedule governing purchases from the above specified hard currency sources. In certain cases a special method of control is specified; otherwise, each application will be considered on its merits, in terms of the urgency of the requirement and the availability of the particular product from alternative sources of supply.

Part B represents the import control schedule governing imports from all countries not covered in Part A.

The attached schedules supersede the *Malayan Import Guide* heretofore in effect.

PART A.

Imports from the United States, the Philippines, Japan, Canada, and Other Dollar Areas of the Western Hemisphere.

Until further notice, applications for import licenses covering merchandise from the United States, the Philippines, Japan, Canada, and other dollar areas in the Western Hemisphere, will be considered by the import control authorities of the Federation of Malaya and the Colony of Singapore only for the items listed below.

1. Machinery & Vehicles:

Air conditioning equipment. Engines, internal combustion. Generator sets. Machinery & machine parts. Machines, weighing. Motors, electrical. Pumps. Refrigerators, electric—Commercial types of over 20 cubic feet only.

2. Steel & Wire:

Steel, constructional. Steel strapping. Wire products: Brass wire. Brass wire

port of samples and those goods valued at less than \$500 which are specifically included on the list of goods approved for export.) Such contracts will not require establishment of a letter of credit, and a bank draft or other acceptable foreign-exchange instruments made payable to the SCAP Commercial Account may be used.

The draft or other foreign-exchange instrument, together with two copies of the contract form are presented to a processing bank in Japan, either Japanese or foreign licensed bank, which stamps the forms indicating receipt of payment, and on one of the forms stamps "For customs use." This copy is for customs officials who, after determining that the shipment is in accordance with the articles covered by the receipted form, will clear the goods for export. The other receipted form is used as the basis for payment to the seller in yen at the official rate of exchange.

gauze. Steel wire for bicycles. Stitching wire. Wire, mosquito netting. Wire netting.

3. Oils, etc.:

Fuel oil. Linseed oil, boiled. Lubricating greases. Lubricating oil—Quarterly import quota to prewar importers able to prove local sales during April 1947 to March 1948.

4. Optical Goods:

Optical lenses, colored. Optical lenses, white, except bifocals. Sunglasses with plane lenses, (i.e., without refractive power) — As approved by the Government Ophthalmic Surgeon.

5. Miscellaneous:

Arms & ammunition. Books & magazines — (1) Technical (2) Periodicals (a) To recognized booksellers in respect of a few listed periodicals. (b) To any genuine private subscribers for any periodical besides comics and other "yellow" publications. Carbon, black. Gas, freon. Infant foods, milk-based. Menthol crystals. Pharmaceuticals — As approved by the Deputy Director of Medical Services. Resin. Rubber samples. Scientific instruments. Spare parts for equipment from hard-currency countries. Superloid (ammonium alginate). Tools, engineer's. Tire cord. Valves & valve fittings, wrought iron.

PART B.

Import Guide Regarding Purchases from Countries not Covered by Part A.

As a rule, any product not specifically mentioned in this schedule should be treated as a product importation of which from hard currency sources is prohibited.

List No. 1.

(Essential products, importation of which will be permitted relatively without restriction, with the exception that imports of such products will be permitted from hard currency sources only where the required supplies are not readily available from soft currency sources)

Chemicals:

Acetic acid. Boric acid. Superloid (ammonium alginate).

Constructional Materials:

Sheeting: Galvanized iron sheets, plain or corrugated. Zinc sheeting. Steel, constructional.

Hardware:

Boat spikes, galvanized. Bolts & nuts. Hinges. Iron, hoop. Nails: Boat, Copper boat (1"–8"). Furniture, Horse, Roofing, Upholstery, Wire. Panel pine. Rivets, tinman's, Saws: Circular, Cross-cut, Hand. Staples, galvanized. Steel strapping. Tacks: Copper, Shoe. Wire products: Brass wire, Brass wire gauze, Galvanized wire. Steel wire for bicycles, Stitching wire, Wire mosquito netting, Wire netting.

Machinery & Motors:

Accounting machines. Adding machines. Calculating machines. Cash registers. Dictaphone equipment. Gen-

erator sets. Outboard motors—not less than 10 h.p. Refrigerators, kerosene—over 5 cubic feet. Tractors. Welding equipment, electric.

Miscellaneous:

Arms & ammunition. Asphalt, excluding emulsified asphalt, i.e., bitumen. Carbon, black. Cork & cork manufactures. Crown corks. Electrodes. Gas, freon. Hog casings. Infant foods, milk-based. Lamps: Kerosene—pressure & mantle types only, Miner's carbide—Guy's dropper type only. Lenses, white, except bifocals. Pencils, slate. Plywood. Resin, synthetic. Rope, manila. Rubber colors. Rubber samples. Scientific instruments. Scythe handles. Sharpening stones. Valves & fittings, wrought iron. Wines: Port, Sherry.

Oils, etc.:

Fuel oil. Grease. Linseed oil, boiled.

List No. 2.

(Products imported under special quota restriction).

Lubricating oil—Licensed quarterly to prewar importers able to prove local sales during April 1947 to March 1948.

List No. 3.

(Products imported under special rulings)

Books:

Books & magazines— (1) Technical. (2) Periodicals (a) To recognized booksellers in respect of a few listed periodicals; (b) To any genuine private subscribers for any periodical besides comic and other "yellow" publications.

Machinery, Vehicles, etc.:

Air conditioning equipment. Cars, passenger—All cars over 20 h.p. are prohibited except from the United Kingdom. Engines, internal combustion. Machinery & machine parts. Machines, weighing, Motors, electrical, Refrigerators, electric—Commercial types of over 20 cubic feet only.

Miscellaneous:

Bottles, glass. Bottles, milk. Cinema equipment & films. Files & saws, jewelers'. Lamps, miners' carbide—Subject to firm offer from a manufacturer. Paints—Certain powdered paints are allowed. Pharmaceuticals—As approved by the Deputy Director of Medical Services. Pumps. Resin. Spare parts for equipment from hard currency countries. Tools, engineers'. Tire cord. Wire, barbed.

Optical Goods:

Lenses, colored. Sunglasses with plane lenses (i.e., without refractive power)—As approved by the Government Ophthalmic Surgeon.

Paper:

Newsprint in reels—To approved end-users on condition they agree: (1) To restrict daily publications to a total of 64 pages per week and Sunday publications to 16 pages; (2) Not to resell approved imports without permission. Newsprint in sheets—Essential requirements of end-users employing the flat-bed process.

Developments in Thailand

During the month of June the Premier announced a new Cabinet in which a number of former members were retained. Uncertainty over the new Government's fiscal policy, however, and seasonal declines adversely affected Thailand's foreign trade. Other factors which depressed the economy were: Fluctuating rubber prices, the new tin-ore purchasing policy of the United States, (Previously, purchases had been made on basis of spot prices; henceforth prices will be determined by prices of tin metal prevailing in the United States during the week following delivery of ores) and termination of ECA purchases of rice for China. The unfavourable exchange position of the dollar vis-a-vis the pound on the open money market continued to channel imports from dollar to sterling areas, while falling exports to the United States further decreased the supply of dollars. On June 15, Thai exporters of cement were authorized to retain foreign-exchange earnings, and the restrictions on countries of destination were lifted. Previously, cement exporters were required to exchange all foreign currency proceeds for baht at the official rate. Some labour unrest was reported, but the political situation was more stable.

Foreign Trade Decline

Both imports and exports declined during June. Tin-ore shipments to the United States amounted to only 46 long tons, the lowest level in 1949. Shipments in April and May amounted to 870 and 329 long tons, respectively. This decline and the corresponding increase in exports to Malaya were attributed to the new Reconstruction Finance Corporation price policy which is proving unattractive to the tin-ore exporter. Cumulative totals of tin-ore shipments from Thailand to the United States for the first half of 1949 amounted to 2,208.4 metric tons valued at US\$ 3,203,274.

Rice exports in June were the lowest of any month in 1949, totaling 81,458 metric tons of milled rice with a percentage distribution of: India 18.8 percent, Hongkong 8 percent, Malaya 30 percent, Ceylon 11.2 percent, Republic of the Philippines 11.3 percent, United Kingdom 2.9 percent, Japan 9.5 percent.

Although low water in the canals slowed the movement of paddy and rice to Bangkok to a rate of about 50,000 tons monthly, ample stocks for export were at the port. Chiefly responsible for the decline were such factors as the lighter demand resulting from exclusion of China as a market and overshipment of some claimants on the first half-year allocations. Prices of C-grade rice, which is free of allocation, are dropping in Asian markets and may cause an accumulation in Bangkok. This grade is semiperishable, inasmuch as it becomes infested quickly. C-grade rice represented only 6.75 percent of the total and was taken by Malaya (3,500 tons), and United Kingdom (1,500 tons).

Secondary exports to the United States indicate an upward trend, but exports of Thai-produced commodities declined sharply, registering a total of US\$514,789. Re-exports of precious and semiprecious stones valued at \$482,328, originating in the Union of South Africa and the Netherlands, accounted for nearly one-half of Thailand's declared exports to the United States during June.

The Thai Purchasing Commission completed screening of more than 100 bids covering Thailand's requirements for railway equipment and bridge steel. A total of 16 major companies submitted bids on rolling stock, but it appeared that no major contract would be let for several weeks. Some observers were of the opinion that equipment might not be purchased before submission of the final report of the hydro-electric survey. In the event that total requirements for electrical and shop equipment, railway rolling stock, bridge and rail steel should be placed before the Council of Ministers on a priority basis, it might be as late as October before large orders would be placed.

Value of Secondary Exports to the United States

Commodity	June	May
Precious and semiprecious stones	\$509,581	\$188,165
Shellac	46,531	57,337
Seed lac	154,139	215,075
Hides and skins	70,167	60,920
Birds and live animals ..	5,326	7,335
Pepper	4,444	114,114
Wolfram ore	92,693	100,888
Tapioca	1,102	—
Palm oil	987	—
Gum damar	3,584	1,831
Teak	75,270	—
Kapok	32,428	714
Thai silk	277	5,105
Crushed bones	—	7,268
Miscellaneous	578	2,162
Total	997,107	760,934

Developments in the Philippines

With preliminary trade returns for the first half of 1949 indicating a probable deficit in Philippine visible trade of approximately 500,000,000 pesos for the third successive year, the President in the late June issued an Executive Order extending the scope of import controls in an effort to reduce the imbalance. Through operation of the more stringent controls, it is expected that savings of dollar exchange for the second half of the year may be double that which would have been realized under the former schedule alone. Changes in regulations became effective August 1, except for textiles from the United States, for which the date was extended to August 31 to relieve hardship situations.

It is anticipated that in the coming months public construction financed under provisions of the Philippine Rehabilitation Act of 1946 will be stepped up considerably to assure completion before June 30, 1950. Otherwise, unused funds would revert to the United States Treasury. By June 30,

1949, the War Damage Commission—created by the Act—had paid out to the Philippine Government for public construction a total of 65,600,000 pesos and had approved 1,800 public projects. The Government, however, had started work on only 50 percent of the approved projects, and had completed only 90.

The Government's National Economic Council recently approved the appropriation of 16,000,000 pesos for a shipyard on Bataan Peninsula which will be equipped to construct and repair small vessels, and will also include a steel mill with a capacity of 50 tons of iron bars per day. Construction will be started by the National Development Co. (NDC) as soon as funds become available. Other enterprises contemplated by the NDC include the following: Two fertilizer plants; plants for the manufacture of pulp, paper, paper bags, and newsprint; a textile mill in Ilocos; and the National Machinery Corporation's project for repair of machines and manufacture of pumps, tractors, and agricultural tools. The net value of all Government-owned enterprises as of December 31, 1948, was officially estimated at 355,000,000 pesos, compared with 120,000,000 pesos in 1946. Of the entities offered for sale or private management, only one, the nail plant, has been disposed of thus far.

In view of the failure of the Philippine Congress to pass at its last session an Appropriations Act and other money bills, the President has issued orders authorizing Government expenditures of 291,600,000 pesos during the fiscal year 1950. Distribution of the total amount is as follows: Expenditures as authorized by the previous Appropriation Act, 232,300,000 pesos; expenditures for the national election, 6,000,000 pesos; certain ex-

penditures, mainly for education, not requested in the budget for fiscal year 1949 but authorized by Congress in special legislation, 52,400,000 pesos; and expenditures formerly financed by the United States under terms of the Philippine Rehabilitation Act of 1946 for public health and weather services and air navigation aids, 875,000 pesos. The full extent of outlays in fiscal year 1950, however, will be largely governed by income. Since Government cash balances are low, the magnitude of any deficit will depend to a great extent on borrowings from the Central Bank.

The first sale of Treasury bills in the history of the Philippines took place on July 11, when bills valued at 1,000,000 pesos and to mature in 1 year were offered at 1½ percent. Proceeds of the sale will be used to meet preliminary expenses of the development of the Capital City.

Air-transport agreements were signed by the Philippines with Italy on July 1 and with Pakistan on July 16. A similar agreement with Australia has been deferred temporarily because of the illness of one of the Australian negotiators.

Shipments of copra during the first 6 months of 1949 amounted to 239,652 long tons, compared with 353,732 tons in the corresponding period of 1948 and the all-time record of 464,906 long tons for the first half of 1947. With the price of coconut oil in poor competitive position compared with that of other fats and oils, the volume of export for both copra and coconut oil has been affected considerably. Shipments may increase, however, should prices come into line.

Production of abaca, hand-stripped and decorticated, totaled 286,105 bales for the period January-June, inclusive. In the first 6 months of 1948, output

amounted to 365,818 bales. (1=278.3 pounds.) Total production for 1949 is forecast at approximately 600,000 bales, roughly the same as in 1948. The price of J-1 grade abaca has fallen from the 1949 high of 68 pesos per picul in January to the current quotation of 51.5 pesos. (1 picul=139 pounds.)

Rice supplies remain generally adequate, owing primarily to heavy arrivals of imports. The exception is premium grades of domestic rice which are fast disappearing from the market. Middle and lower grades of rice can be purchased at near the Government ceiling price of 1.30 pesos per ganta. Some grades of imported rice are being sold by the National Rice and Corn Corporation at 1.05 pesos per ganta as a means of keeping prices down and preventing speculation. (1 ganta=5 pounds.)

Growth of the 1949-50 rice crop has been retarded by severe droughts in the rice belt of Central Luzon and by heavy infestations of cutworms in 22 Provinces. Rains in June and July provided some much-needed moisture, and it was hoped that the 900,000 pesos released by the Government to combat worms would alleviate the situation further.

A rice-irrigation project in Rizal Province covering some 430 hectares of land has proved highly successful, according to reports. (1 hectare=2.47 acres.) The experiments conducted in municipalities located on Laguna de Bay, a large fresh water lake, utilized nine irrigation pumps, six installed by the Bureau of Plant Industry and three by a farmer. Yields were reported to have been several times higher than the nationwide average. Because of the success of this venture, the President has asked members of his Cabinet to make plans for irrigating other areas by the same method.